

Chief Executive: Dr Ann Black

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Shetland
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If calling please ask for
Edna Flaws
Direct Dial: 01595 744994

Date: 7 September 2021

Our Ref: TA48

Dear Sir/Madam

You are invited to the following meeting:

Shetland Charitable Trust
Thursday 16 September 2021 at 11.00am

Apologies for absence should be notified to Lynne Geddes on 01595 744592.

(Please note that this meeting will be held remotely via Zoom conference call, and joining instructions will be sent to you separately)

Yours faithfully

(signed) Dr Ann Black
Chief Executive

AGENDA

- (a) Hold circular calling the meeting as read.
- (b) Apologies for absence, if any.
- (c) Declarations of Interest - Trustees are asked to consider whether they have an interest to declare in relation to any item on the agenda for this meeting. Any Trustee making a declaration of interest should indicate whether it is a financial or non-financial interest and include some information on the nature of the interest. Advice may be sought from Officers prior to the meeting taking place.

(d) Confirm minutes of meeting held on 3 June 2021 (enclosed).

For Decision

1. SCT Annual Report & Accounts for the Year to 31 March 2021. *Report enclosed.*
2. Financial Plan 2020-2025. *Report enclosed.*
3. Disbursement Plan 2020-2025. *Report enclosed.*

For Information

4. Investment Performance Update – Three Months to 30 June 2021. *Report enclosed.*
5. Management Accounts – Three Months to 30 June 2021. *Report enclosed.*
6. Capital Works Bridging Loan Scheme Update. *Report enclosed.*

The following items contain **CONFIDENTIAL** information

For Information

7. External Investment Review. *Report enclosed.*
8. Shetland Heat Energy and Power – Retention of Profits. *Report enclosed.*
9. Service Performance of Funded Organisations – Year Ending 31 March 2021. *Report enclosed.*
10. Update from Chairs of Advisory Committees.
11. Update from Subsidiary Companies.

REPORT

To: Shetland Charitable Trust

16 September 2021

From: Chief Executive

Report: CT2109015

Shetland Charitable Trust Annual Report and Accounts for the year to 31 March 2021

1. Introduction

- 1.1 The purpose of this report is to present the Annual Report and Accounts for the year to 31 March 2021 for approval. These are attached as Appendix A.

2. Commentary

- 2.1 Shetland Charitable Trust (the Trust) has seen an increase in funds of £141.1 million this financial year, mainly due to the gains on investments of £148.2 million. The Trust's net asset position now stands at £456.8 million (2020: £315.7 million).
- 2.2 Total incoming resources were £4.3 million (2020: £4.2 million) and total resources expended were £10.5 million (2020: £9.4 million). The difference in resources expended and incoming resources is met from the Trust's reserves in line with the Trust's Financial Plan 2020 – 2025.
- 2.3 Total charitable expenditure for the year was £8.9 million (2020: £8.1 million). The additional expenditure was due to an increase in disbursements in line with the Trust's new Strategy and Disbursement plan. Further information on charitable activities is provided in the Annual Report.
- 2.4 The value of Trust funds invested on global markets increased this year. There was an exceptional gain on investment assets of £148.2 million (2020: gain of £11.1 million). The returns on investments in 2020/21 were extraordinary compared to the previous years, with the Trust's investments benefiting from the change in consumer habits during the Covid-19 crisis. Investment management costs for the year were £1,571,000 (2020: £1,136,000). This rise is due to the increase in the value of the invested assets.
- 2.5 The value of programme related investments (the Trust's local investments) remained at £12.4m with no local investment or disposals in the year.

- 2.6 Shetland Heat Energy and Power Ltd (SHEAP) made a gift aid payment of £190,000 in respect of their profits for 2019/20, these being formally recognised in the accounts for 2020/21. SHEAP have retained their profits for 2020/21 to support future expansion plans and no gift aid payment will be made this year.
- 2.7 RSM UK Audit LLP (RSM) have written a report, shown in Appendix B, which summarises the work of the auditors. RSM presented this report to the Audit and Governance Advisory Committee on Thursday 19 August 2021.
- 2.8 The letter of representation from Trustees to RSM, required to complete the audit, is attached as Appendix C.

3. Financial Implications

- 3.1 The Trust's net movement in funds (movement in reserves) for the year was a £141.1 million inflow (2020: £6.4 million inflow). The Trust continues to maintain a strong cash balance and has net assets (reserves) at 31 March 2021 of £456.8 million (2020: £315.7 million).

4. Recommendations

- 4.1 Trustees are asked to:-
 - a) approve the Annual Report and Accounts for the year to 31 March 2021 attached as Appendix A;
 - b) authorise the Chair and the Vice Chair to sign the accounts;
 - c) authorise the Chair to sign the Letter of Representation reproduced as Appendix C, and
 - d) note the summary report from RSM UK Audit LLP, the Trust's auditors, attached as Appendix B.

Reference: TA2

Report Number: CT2109015

Shetland Charitable Trust

**Trustees' report and consolidated
financial statements**

Charity number SC027025

For the year ended 31 March 2021

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Chair's Introduction

As for everyone, the pandemic has dominated the working of the Trust for the past year. The staff have largely worked from home, and all Trustee meetings have been conducted remotely. This has allowed Trust business to continue with a semblance of normality.

We are now into the second year of our current five year strategy. We decided to maintain full funding for the organisations we support, despite knowing that many could not offer their full range of activities. We also made available a safety net of £1.3 million for possible loss of income for those bodies in 2021/22, which rely heavily on trading for some of their income.

We had an excellent response to the launch of a revamped Main Grant Scheme with 26 organisations receiving funding this year. For many this is the first time we have supported them; they help us fulfil our aim of targeting inequality and social exclusion.

The Small Grant Scheme has also been redesigned and is now open to smaller organisations to bid for sums up to £5,000. So far, 17 bodies will get funding for 2021/22.

The Trust was instrumental in providing capital funding to the large Trusts we support, when for example the Leisure Centres were built. Many of these assets are now in need of repair and refurbishment. Due to our strong financial position, we are committing up to £12 million over the next three years towards essential repairs to these buildings.

As well as the above disbursements, we have backed the local MRI scanner appeal with £500,000 towards reaching its target.

In total we will increase the average annual expenditure to over £15 million from 2022/23 onwards, compared to £10 million in 2020/21, a 50% rise.

We are able to do this because of the very strong performance of our invested funds. After an initial sharp drop of about 35% across all sectors at the start of the pandemic, stock markets have recovered strongly. Those equities selected by our external fund managers have performed exceptionally well. The result for us is 50% growth over the year – hence our confidence in raising the value of our disbursements as detailed above.

With the Trust building nearly empty of staff, we have taken the opportunity to refurbish our office accommodation. We hope to be able to make good use of it soon to resume at least some in-person activity.

There has been no change in the Trustee Board over the past year; all have played a full role attending committees and Trust meetings. Margaret Roberts as Vice-Chair of the Trust and Chair of the Investment Advisory Committee, and Robbie Leask (Chair of the Audit & Governance Advisory Committee) have been effective and supportive colleagues in my duties as Trust Chair.

Our staff have not let the difficulties of remote working stop them organising the growth of Trust activity. There are the interlocking tasks of setting our criteria for bidding organisations; assessing bids; paying grants and checking performance of the funded bodies. Add in too the many regular administration tasks, liaising with Fund Managers, running Trust meetings, looking to our finances, achieving an excellent report from our auditors, which have all been achieved with efficiency and good humour. My role as Chair has been greatly facilitated by their excellence. I am confident that the Trustees and staff together are maintaining the Trust in good shape for the future.

A B Cooper
Chair

16 September 2021

Trustees' Report

Section 1: Reference and Administrative Details

Name Shetland Charitable Trust
Scottish Charity Number SC027025
Address 22-24 North Road, Lerwick, Shetland, ZE1 0NQ

Trustees

A B Cooper, Chair	K Harrison
M I Roberts, Vice Chair	R C Leask
I R Napier	R M Leask
J Garriock	R C Leith
Y Hopkins	A J Ockendon
E Miller	

Chief Executive Dr Ann Black

Bankers Bank of Scotland
117 Commercial Street
Lerwick
ZE1 0DL

Auditor RSM UK Audit LLP
St Olaf's Hall, Church Road
Lerwick, Shetland
ZE1 0FD

Solicitors - Governance and Charity Law	Turcan Connell Princes Exchange 1 Earl Grey Street Edinburgh EH3 9EE	Commercial	Dentons Quartermile One 15 Lauriston Place Edinburgh EH3 9EP
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**Investment
Managers** Insight Investment Management (Global) Limited
160 Queen Victoria Street,
London,
EC4V 4LA

BlackRock Global Investors Limited
Drapers Gardens
12 Throgmorton Avenue
London
EC2N 2DL

Schroders Property Managers
1 London Wall Place
London
EC2Y 5AU

Trustees' Report *(continued)*

Section 1: Reference and Administrative Details *(continued)*

Investment Managers	Baillie Gifford & Co Calton Square 1 Greenside Row Edinburgh EH1 3AN
Custodian	The Northern Trust Company 50 Bank Street Canary Wharf London E14 5NT
Investment Monitor	The Northern Trust Company 50 Bank Street Canary Wharf London E14 5NT

Section 2: Structure, Governance and Management

Governing Document

The current Shetland Charitable Trust (the Trust) was established by a Deed of Trust registered in the Books of Council and Session on 27 September 2012 and updated in 2017, and again in 2019.

The Trust Deed and its schedules:

- appoint Trustees;
- state the charitable purposes of the Trust; and
- set out the powers of the Trustees.

Charitable Status

The Trust appears in the Scottish Charity Register, number SC027025, maintained by the Office of the Scottish Charity Regulator (OSCR). In addition, any tax relief received by the Trust is overseen by HM Revenue and Customs (HMRC). The Trust has to demonstrate to these regulators, that its activities remain charitable and generate public benefit.

Board of Trustees

The Trust has up to twelve appointed Trustees.

Trustee vacancies are advertised and individuals are recruited through an open and transparent process. A Selection Panel, whose work is overseen by the Audit and Governance Advisory Committee, undertakes this process. The Panel's recommendations are then presented to the full Board of Trustees (the Board) for approval.

New Trustees receive a comprehensive induction, and thereafter training is provided as appropriate. From time to time, Trustees receive reports on their roles and responsibilities, in line with guidance from OSCR.

The Board meets at least four times each year to set and oversee the delivery of the Trust's strategy. A list of the Trustees are detailed on page 2 of this report.

A number of advisory committees support the work of the Trust throughout the year. They oversee the work of the Trust and make recommendations to the Board.

Trustees' Report *(continued)*

Section 2: Structure, Governance and Management *(continued)*

Audit and Governance Advisory Committee

The Audit and Governance Advisory Committee oversees the systems of internal controls on financial and governance matters, recruitment of Trustees and risk management. It also reviews the draft annual financial statements and considers reports from the Trust's external auditors.

General Purposes Advisory Committee

The General Purposes Advisory Committee oversees the Trust's Strategic and Disbursement Plans. It monitors the service performance of organisations that the Trust provides grant assistance to. It also considers the Trust's public relations and media activities.

Investment Advisory Committee

The Investment Advisory Committee oversees the Trust's Investment Plan and its implementation. It also monitors the performance of external and local investments.

Management and Administration

The Trust is managed and administered by a team of four directly employed staff. The Chief Executive's role is to ensure that the charitable activities carried out by the Trust are in furtherance of its purposes, represent value for money and complement the needs and aspirations of the community. This must all be in accordance with the Trust Deed and the law.

The Chief Executive is also responsible for the effective management of the Trust's investments. This includes ensuring that charitable status is retained and putting in place effective investment policies. Some specialist services are purchased from other providers, under various service level agreements.

The Trust's procedures are governed by a set of Administrative Regulations. This public document has been updated to reflect the changes in administration and is available through the Trust's website, www.shetlandcharitabletrust.co.uk.

Minutes

The public minutes of all meetings of the Board, together with the relevant reports, are available electronically through the Trust's website.

Subsidiary Companies

The Trust has three wholly owned subsidiary companies. The following are the directors of the companies:

Shetland Heat Energy and Power Limited (SHEAP) SC181964

James Armitage – Chair
Allan Wishart (Resigned 26 November 2020)
Wendy Grant
Derek Leask
William Spence
Colin Clark (Appointed 26 November 2020)
Neil Fraser (Appointed 26 November 2020)

C.T. Shetland (T.M.) Limited is a dormant company whose present purpose is to register and own certification trademarks, for example knitwear trademarks.

C. T. Shetland (T.M.) Limited SC072648

Jolene Garriock

SCT Renewables Limited has a 90% interest in Viking Energy Shetland LLP 'the Shetland Partner' in the Viking Energy Partnership.

SCT Renewables Limited SC256581

Ian Napier

Trustees' Report *(continued)*

Section 2: Structure, Governance and Management *(continued)*

Risk Management

The Board is responsible for the risks faced by the Trust.

The Trust has a risk management process designed to identify the major risks that could impact on the aims of the Trust's Strategic Plan. This process identifies the major risks the Trust faces, the likelihood of occurrence, the significance of the risk, and any mitigating controls that are in place. It also seeks to identify any actions and resources required to manage these risks further.

The Audit & Governance Advisory Committee has overall responsibility for the management of the risk assessment process. Each of the Advisory Committees ensures the risks associated with their terms of reference are reviewed regularly to identify the steps required to mitigate these risks. All recommendations from the Advisory Committees are reported annually to the Board for consideration and approval.

Trustees approved the risk assessment for 2020/21 on 11 February 2021. The five strategic key risks are:

No.	Risk	Current Risk Level	Lead Committee
1	Governance	Amber	Audit & Governance Advisory Committee
2	Reputational	Amber	General Purposes Advisory Committee
3	Investment	Amber	Investment Advisory Committee
4	Disbursement	Green	General Purposes Advisory Committee
5	Strategic Direction	Amber	General Purposes Advisory Committee

Disclosure of information to auditor

The Trustees who held office at the date of approval of this Trustees' report confirm that, so far as they are each aware, there is no relevant audit information of which the Trust's auditor is unaware; and each Trustee has taken all steps that he/she ought to have taken as a Trustee to make himself/herself aware of any relevant audit information and to establish that the Trust's auditor is aware of that information.

Section 3: Objectives and Activities

The purpose of the Trust is to use its available funds to benefit and improve the quality of life of all people living in Shetland, and to preserve the Trust reserves for future generations.

In 2019, the Trust launched its Strategy 2020-25. The Strategy set out the Trust's aims and objectives for the next five years.

Ambition

Over the period 2020-2025, the Trust will seek to use its funding:

- To improve the quality of life for all the people of Shetland;
- To achieve a positive impact against the Trust Strategic Objectives through its disbursement decisions;
- To promote inclusion and reduce inequalities in Shetland;
- To demonstrate the impact and outcomes of Trust funding.

The Trust will continue to improve the quality of life for the people of Shetland. The Trust will target its funding where impact, positive change and outcomes, can be demonstrated and shown to be delivered.

Trustees' Report *(continued)*

Section 3: Objectives and Activities *(continued)*

Objectives

The strategic objectives of the Trust 2020-2025 are:

- To enhance provision of services and activities, aligned to the Trust's ambition, and beyond the obligation of statutory services;
- To support the services and activities provided by the three large Trusts in Shetland;
- To support voluntary sector services in Shetland;
- To support, if appropriate, the core revenue costs of organisations where there is difficulty in sourcing alternative external funding to maintain or enhance the services provided.

The ambition to promote inclusion and reduce inequalities in Shetland will be a central theme for the Trust over 2020-2025, across all its funding commitments.

Operational Plans

The Strategy has informed the development of the operational plans for 2020-25. These are the Financial Plan, the Disbursement Plan and the Investment Plan covering the period 2020-25. Details of these plans are available on the Trust website.

Financial Objectives

Trustees have agreed to continue with the long-term financial strategy of preserving the value of reserves against inflation, and therefore limits annual expenditure to the average growth on the investments above inflation.

In 2019, Trustees approved a new Financial Plan to run from 1 April 2020 to 31 March 2025. The Financial Plan uses the average investment growth above inflation on the Trust's reserves to support annual expenditure. This enables the reserves preserved against inflation to be passed to future generations, aligned to the purpose of the Trust. Annual expenditure is dependent on the assumed rate of return on the Trust investments for the Strategy period, whilst also ensuring that the Trust fund is protected against adverse investment returns over the period.

For the Strategy period 2020-2025 a rate of return on the Trust investments above inflation of 3.5% per annum is assumed. A maximum budget of £12 million has been set for the year to 31 March 2022 in line with the Financial Plan.

Budgets and Disbursements

Each year the Board adopt a budget for the incoming financial year. Details of the budget approved by Trustees are given in column one of the tables on pages 8 and 9, with details of the actual spend in column two, and a comparison with the previous year in column three.

The disbursements made in 2019/20 were the final agreed budgets for the Disbursement Plan 2015 -20. In 2019, Trustees approved a new Disbursement Plan to run from 1 April 2020 to 31 March 2025. Over the Trust's Strategy period 2020-2025, it is the intention of the Board that the funds are able to support applications, which align to the purpose and strategic objectives of the Trust. The Trust will operate a Main Grant Scheme for larger organisations and a Small Grant Scheme for smaller organisations and individuals.

Section 4: Achievements and Performance

During the year to 31 March 2021, the Trust provided grant assistance to the following organisations towards the cost of providing a range of social, leisure, cultural, heritage and environmental activities:

- **Shetland Recreational Trust** - The grant assists with the cost of providing leisure and sports facilities at locations throughout Shetland.
- **Shetland Amenity Trust** - The grant provides core and project funding to support Shetland's Heritage and Culture.

Trustees' Report (*continued*)

Section 4: Achievements and Performance (*continued*)

- **Shetland Arts Development Agency** - The grant goes towards meeting some of the core and project costs of promoting, developing and delivering activities in the fields of dance, drama, theatre, film, literature, music, crafts and visual arts.
- **Rural Care Model** - The funding is used to add value to the community care provided in Shetland, to a level of service over and above that which would normally be provided by a local authority.
- **Ability Shetland** - The grant supports the running costs of the Adult Recreation Club and contributes to the costs of delivering their Social and Yoga Clubs.
- **COPE Ltd** - The grant contributes to the core costs of the organisation to allow it to provide focused placements, training, support and employment opportunities to adults with learning and/or physical disabilities.
- **Royal Voluntary Service** - The grant funds much of the core costs of providing a range of community projects for elderly and disabled people in Shetland.
- **Shetland Befriending Scheme CYP** - The scheme provides young people with an opportunity to form a trusting relationship with an adult, to promote the young person's welfare and personal development.
- **Shetland Islands Citizens Advice Bureau** - The grant is used towards the core costs of providing a general information advice service.
- **Shetland Link Up** - The grant funds the core costs of the organisation enabling it to provide an informal meeting place to support people who are affected by mental health problems.
- **Shetland Samaritans** - The grant supports the organisation to provide care/welfare services and activities in the community.
- **Voluntary Action Shetland** - The grant contributes to the core costs of providing a central point for advice and information to the voluntary sector in Shetland and the operation and maintenance of Market House.
- **Ability Shetland** - The grant provides core funding towards direct support to children, families and adults with disabilities and additional support needs.
- **Advocacy Shetland** - The grant provides core funding towards a free independent advocacy services in Shetland.
- **British Red Cross** - The grant provides core funding towards a Shetland Community Support Service.
- **Gaada** - The grant provides core funding towards a visual culture within Shetland which is dynamic and representative of the diverse demographics of communities and individuals that exist across the isles.
- **Mind Your Head** - The grant provides core funding towards services to relieve those in need by reason of mental ill-health.
- **Shetland Care Attendant Scheme and Voluntary Action Shetland** - The grant provides core funding towards services to relieve the stress on the person or family caring for physically or mentally disabled or elderly persons.
- **Shetland Rape Crisis** - The grant provides core funding towards services to relieve the distress and promote the welfare of anyone affected by any form of sexual violence or exploitation.
- **Shetland Women's Aid** - The grant provides core funding towards services to advance and continue to work towards ending domestic abuse and other Gender Based Violence in our community.
- **The Swan Trust** - The grant provides funding to support the costs associated with recertifying Swan to MCA code 0 for 2021 season, to enable the Swan Trust to resume sail training opportunities.
- **Shetland Befriending Scheme 16+** - The grant contributes to the core costs of providing a Befriending Service for those aged 16 and over.

The Trust allows organisations that it funds to hold up to 3 months grant, as reserves, for unforeseen items and to help with cash flow.

The Trust has worked with the organisations funded to develop a system of service performance reporting. Trustees considered a progress report on service performance in September 2020, which set

Trustees' Report *(continued)*

Section 4: Achievements and Performance *(continued)*

out, in detail, how the Trust's money makes a difference to people and communities. Overall, Trustees were content that most organisations were performing satisfactorily against their stated targets.

The Trust also supported two charitable schemes, as set out below. However, no grant awards were made under these schemes in 2020/21 as their activities were severely curtailed by the Covid-19 pandemic.

- **Arts Grant Scheme** - This scheme is designed to support individuals aged under 18 and/or community groups who are working with those aged under 18 within a wide range of arts genres.
- **Senior Citizens Clubs** - This scheme supports senior citizens clubs throughout Shetland with a programme of activities.

The Trust also operates a Capital Works Bridging Loan Scheme, which provides short-term bridging finance to community organisations undertaking capital projects. The scheme was established in 2010 to provide interest free loans to organisations that had secured funding from the EU, National Government sources or large charitable funders, but were only able to claim their grants on completion of the capital works. The scheme helps avoid any potential cash flow problems and allows community projects to go ahead.

Charitable Expenditure

	2020/21 budget £	Actual spend to 31 March 2021 £	Actual spend to 31 March 2020 £
<u>Grants over £0.5m</u>			
Shetland Amenity Trust	1,142,988	1,142,988	1,142,988
Shetland Arts Development Agency	603,522	603,522	603,522
Shetland Recreational Trust	2,972,802	2,972,802	2,972,802
Support to Rural Care Model	1,986,188	1,986,188	1,986,188
<u>Other Revenue Grants</u>			
Ability Shetland Recreation Club	12,641	12,641	12,641
Shetland Befriending Scheme CYP	54,418	54,418	54,418
Shetland Islands Citizens Advice Bureau	132,265	132,265	132,265
COPE Ltd	154,967	154,967	154,967
Shetland Link Up	47,994	47,994	47,994
Voluntary Action Shetland (VAS)	144,361	144,361	144,361
Shetland Samaritans	4,000	4,000	4,000
Royal Voluntary Service	46,985	46,985	46,985
Sub Total Organisations	7,303,131	7,303,131	7,303,131
	2020/21 budget	Actual spend to 31 March 2021	Actual spend to 31 March 2020
<u>EOI Main Grant Scheme</u>			
Ability Shetland	-	34,594	-
Advocacy Shetland	-	35,000	-
British Red Cross	-	27,064	-
Shetland Islands Citizens Advice Bureau	-	40,897	-
COPE Ltd	-	70,000	-
Gaada	-	49,400	-
Mind Your Head	-	61,240	-
Royal Voluntary Service	-	10,000	-
Shetland Care Attendant Scheme & VAS	-	39,708	-
Shetland Link Up	-	7,623	-
Shetland Rape Crisis	-	28,467	-
Shetland Women's Aid	-	70,000	-

Trustees' Report *(continued)*

Section 4: Achievements and Performance *(continued)*

The Swan Trust	-	14,000	-
Shetland Befriending Scheme 16+	-	7,000	-
Voluntary Action Shetland	-	35,000	-
	<hr/>	<hr/>	<hr/>
Sub Total EOI Main Grant Scheme	880,859	529,993	-
	<hr/>	<hr/>	<hr/>

Schemes	2020/21 budget	Actual spend to 31 March 2021	Actual spend to 31 March 2020
	£	£	£
Arts Grant Scheme	15,000	-	2,284
Senior Citizen's Clubs	15,000	-	15,527
	<hr/>	<hr/>	<hr/>
Sub Total Schemes	30,000	-	17,811
	<hr/>	<hr/>	<hr/>

One Off Approved Grant

Shetland Health Board Endowment Fund MRI Scanner Appeal	-	500,000	-
Surplus Grants Refunded	-	(651)	(2,699)
	<hr/>	<hr/>	<hr/>
Sub-total charitable expenditure	8,213,990	8,332,473	7,318,243
Trust Administration, including governance costs	637,610	485,030	622,897
	<hr/>	<hr/>	<hr/>
Total	8,851,600	8,817,503	7,941,140
	<hr/>	<hr/>	<hr/>

Total charitable expenditure and administration costs are shown before adjustment for pension adjustments under FRS 102 totalling £66,000.

Section 5: Financial Review

Financial Policies

The policy of the Board is to invest the reserves of the Trust to generate income to support charitable expenditure and to maintain the real value of the reserves in the long term. The current value (as at 31 March 2021) of the Trust's reserves that are invested to generate income (i.e. not the 'Donated Properties') is around £442 million (2020 - £301 million).

The Trust relies chiefly on funds generated by investments on the world's markets. Around £150 million was generated in 2020/21. This includes growth in value of the investments as well as dividend income received. In 2020/21, around £0.9 million income was derived from investments in Shetland.

The Trust Deed does not require the Trust to distinguish between revenue and capital (income or expenditure), and all of the Trust's funds are unrestricted. These two things together mean that although the general funds and pension reserve are shown as being in deficit in the financial statements, there are no practical consequences flowing from this.

The Trust seek to minimise risk through diversification within its investments and take advice, as appropriate, in determining the mix of asset types. Trustees are free to determine how to apply their

Trustees' Report *(continued)*

Section 5: Financial Review *(continued)*

Unrestricted Reserves in a manner consistent with the Trust objectives and in line with its Financial Plan.

Review of Spending

During 2020/21 the Trust spent £10.5 million (2020 - £9.1 million) on grant making, support costs and expenditure on raising funds, in line with the approved budget for the year. Grant making expenditure for the year was £8.3 million (2020 - £7.3 million). The agreed budget to support grant applications for 2021/22 is £9.7 million.

Investment Review

The Trust's capital is invested by the Board externally with four fund managers and locally in three subsidiary companies. The Trust also receives rental income from the land at the Sullom Voe terminal.

Externally Managed Investments

The market value of the Trust's external investments is £441.8 million (2020 – £300.7 million). Over the year, £2.5 million was invested by the Trust with Schroders. A breakdown of the Trust's external investments is detailed below:

Manager	Mandate	Market Value 2021 (£m)	Market Value 2020 (£m)
Baillie Gifford	Active Equities	261.2	152.1
BlackRock	Passive Equities	94.0	70.2
Schroders	UK Property	55.1	50.9
Insight	Diversified Growth	31.5	27.5
Total		441.8	300.7

The growth in value of the investments as well as dividend income received, generated around £150 million (net of new investment) over the year (2020 - £13 million). This equates to a return of 50.0% (2020 – 4.6%).

The twelve-month period to March 2021 has been an extraordinary period for equity markets around the world. From mid-February 2020, markets collapsed because of the COVID 19 crisis. Equity markets around the world dropped by as much as 35%. However, markets have recovered over the year with many indices now at, or close to, all-time highs. This recovery has been particularly strong in the US and Japan. The technology and digital sectors have seen extraordinary growth in part due to the COVID 19 crisis.

The Trust's Financial Plan 2020-25 assumes a medium term return of 6.5% per annum. This is the return the Trust seeks over the medium term to meet its planned expenditure and to preserve the value of reserves in real terms.

The Trust also agrees a benchmark return for each fund manager to assess their performance against. Detailed below is the overall returns achieved against benchmark:

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
1 Year	50.0	27.8	22.2
3 Years	20.4	8.3	12.1
5 Years	18.4	9.8	8.6

Trustees' Report (continued)

Section 5: Financial Review (continued)

Overall, the Trust's external investments have exceeded the benchmark return for each period and have met the Financial Plan assumed return over the medium term.

Local Investments

Shetland Heat Energy and Power Limited (SHEAP) is a wholly owned subsidiary of the Trust, set up to operate the Lerwick District Heating Scheme. SHEAP has over 1200 customers receiving heat and the company generated income of around £2.5 million in 2020/21. SHEAP recorded a small profit in 2020/21, but no gift aid payment will be made to the Trust for the financial year.

SCT Renewables Limited is a 100% owned subsidiary of the Trust. Viking Energy Shetland LLP is a 90% owned subsidiary of SCT Renewables Limited and the Trust has invested £10.0 million as at 31 March 2021. It is a partner in the Viking Energy project which is investigating a wind farm project in central Shetland.

C.T. Shetland (T.M.) Limited does not trade. The purpose of the company is to register and own certification trademarks, for example, the knitwear trademark known as *The Shetland Lady*.

Decisions about Investments

When the Board make decisions about investing the Trust's capital, the law requires them to seek appropriate advice and act as reasonably prudently as commercial investors would. An investor is concerned with various criteria when investing money; these include rate of return (dividends / income / rent / interest earned), capital growth, and the level of risk. This applies whether the investments are on a Stock Exchange, or when they involve local assets. Investment, wherever it is made, involves using Trust funds wisely to produce income and to increase the value of those funds. To do this properly the Trust has to act commercially. It cannot "act charitably" towards its investments.

The Trust's Investment Plan 2020–25 was agreed in 2019 and is based on 75% in shares, 15% in property and 10% in a diversified portfolio of assets. The Plan was originally approved in 2016 and reviewed in 2018/19. The Plan seeks to maintain diversification whilst increasing average returns in the long term.

Section 6: Plans For The Future

The Trust is currently implementing its strategy for 2020 to 2025. The Strategy 2020-2025, sets out the Trust's ambition, objectives and priorities for the period. The Strategy and the associated Financial, Disbursement and Investment Plans for the period were approved in September 2019.

In July 2020, the Trust has opened up its Main Grant Scheme to new applications for a maximum of four years funding. In addition, in December 2020 the Trust opened up a new Small Grant Scheme for smaller organisations. Both Schemes will continue be open for applications for funding for the remainder of the strategy period.

During 2021/22, the Trust will introduce a new Capital Grant Scheme with the aim of maintaining Shetland's community assets operated by the three large Trusts and Voluntary Action Shetland. The Trust has committed up to £12.0 million over three years to the Scheme.

A B Cooper
Chair

16 September 2021

Statement of trustees' responsibilities in respect of the trustees' annual report and the financial statements

Under charity law, the trustees are responsible for preparing a Trustees' Annual Report and financial statements for each financial year which show a true and fair view of the state of affairs of the group and the charity and of the group's and the charity's excess of income over expenditure for that period. The trustees have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the recommendations of the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- state whether the financial statements comply with the trust deed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the charity or to cease operations, or have no realistic alternative but to do so.

The trustees are required to act in accordance with the trust deed and the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, and the Charities Accounts (Scotland) Regulations 2006 (as amended), those statements of accounts comply with the requirements of regulations under that Act. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF SHETLAND CHARITABLE TRUST

Opinion

We have audited the financial statements of Shetland Charitable Trust (the 'charity') and its subsidiaries (the 'group') for the year ended 31 March 2021 which comprise the Consolidated Statement of Financial Activities, the Trust Statement of Financial Activities, the Consolidated Balance Sheet, the Trust Balance Sheet, the Consolidated Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charity's affairs as at 31 March 2021 and of the group's and the charity's incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have

performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' annual report; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out on page 12 the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory framework, that the group and charity operates in and how the group and charity is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Charities SORP (FRS 102), Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the charity's governing documents. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing the financial statements including the Trustees' Report, remaining alert to new or unusual transactions which may not be in accordance with the governing documents.

The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
St Olaf's Hall
Church Road
Lerwick
Shetland
ZE1 0FD

16 September 2021

RSM UK Audit LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Consolidated statement of financial activities

for the year ended 31 March 2021

	Note	Unrestricted funds		2021 Total £000	2020 Total £000
		General funds £000	Expendable endowment £000		
Income and endowments from					
Other trading activities	6	2,503	-	2,503	3,052
Investments		3,397	-	3,397	3,315
Rental income		664	-	664	790
Other income		2	-	2	71
		<hr/>	<hr/>	<hr/>	<hr/>
Total income and endowments		6,566	-	6,566	7,228
		<hr/>	<hr/>	<hr/>	<hr/>
Expenditure on					
Expenditure on raising funds	6	(2,376)	-	(2,376)	(3,038)
Investment Management		-	(1,571)	(1,571)	(1,136)
Charitable activities	2	(8,884)	(75)	(8,959)	(8,109)
		<hr/>	<hr/>	<hr/>	<hr/>
Total expenditure		(11,260)	(1,646)	(12,906)	(12,283)
		<hr/>	<hr/>	<hr/>	<hr/>
Net gains on investments	12	-	148,182	148,182	11,148
		<hr/>	<hr/>	<hr/>	<hr/>
Net income/(expenditure)		(4,694)	146,536	141,842	6,093
Gross transfers between funds	13,12	27,041	(27,041)	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Other recognised gains and losses					
Actuarial (losses)/gains in defined benefit pension scheme	17	(786)	-	(786)	417
Non-controlling interest share of net income/ expenditure		-	-	-	15
		<hr/>	<hr/>	<hr/>	<hr/>
Net movement in funds attributable to the charity		21,561	119,495	141,056	6,525
Fund balances brought forward attributable to the charity	13, 12	(23,864)	339,803	315,939	309,414
		<hr/>	<hr/>	<hr/>	<hr/>
Fund balances carried forward attributable to the charity		(2,303)	459,298	456,995	315,939
		<hr/>	<hr/>	<hr/>	<hr/>
Non-controlling interest share of net income/ expenditure		(1)	-	(1)	(15)
Other changes in non-controlling interests		-	-	-	1
Fund balances brought forward attributable to non-controlling interest		818	-	818	832
		<hr/>	<hr/>	<hr/>	<hr/>
Fund balances carried forward attributable to non- controlling interests		817	-	817	818
		<hr/>	<hr/>	<hr/>	<hr/>
Total group funds carried forward	13, 12	(1,486)	459,298	457,812	316,757

Trust statement of financial activities

for the year ended 31 March 2021

	Note	Unrestricted funds		2021	2020
		General funds £000	Expendable endowment £000	Total £000	Total £000
Income and endowments from					
Income from investments		3,397	-	3,397	3,315
Other investment income (Gift Aid receipts from subsidiary undertakings)		190	-	190	-
Rental income		664	-	664	790
Other income		2	-	2	71
Total income and endowments		4,253	-	4,253	4,176
Expenditure on:					
Expenditure on raising funds		-	(1,571)	(1,571)	(1,136)
Provision made against equity investment	6	(12)	-	(12)	(129)
Charitable activities	2	(8,884)	(75)	(8,959)	(8,109)
Total expenditure		(8,896)	(1,646)	(10,542)	(9,374)
Gains on investment assets	5	-	148,182	148,182	11,148
Net income/(expenditure)		(4,643)	146,536	141,893	5,950
Gross transfers between funds	13, 12	27,041	(27,041)	-	-
Other recognised gains/(losses)					
Actuarial losses in defined benefit pension scheme	17	(786)	-	(786)	417
Net movement in funds		21,612	119,495	141,107	6,367
Total funds brought forward	13, 12	(24,112)	339,803	315,691	309,324
Fund balances carried forward		(2,500)	459,298	456,798	315,691

All funds are unrestricted income funds. The incoming resources and resulting net movement in funds all arose from continuing operations. All gains and losses recognised in the year are included above.

The notes on pages 21 to 38 form a part of the financial statements.

Consolidated balance sheet

as at 31 March 2021

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Fixed assets					
Tangible assets	4		4,602		4,587
Investments	5	441,814		300,712	
Programme-related investments	6	6,645		6,653	
			<u>448,459</u>		<u>307,365</u>
Total fixed assets			453,061		311,952
Current assets					
Stocks		47		43	
Debtors	8	1,566		1,614	
Cash at bank and in hand	9	8,060		6,525	
			<u>9,673</u>	<u>8,182</u>	
Total current assets		9,673		8,182	
Creditors: amounts falling due within one year	10	(2,340)		(1,677)	
			<u>7,333</u>		<u>6,505</u>
Net current assets			7,333		6,505
Total assets less current liabilities			460,394		318,457
Provisions for liabilities and charges	11		(82)		(52)
			<u>460,312</u>		<u>318,405</u>
Net assets excluding pension liability			460,312		318,405
Pension liability	17		(2,500)		(1,648)
			<u>457,812</u>		<u>316,757</u>
Net assets including pension liability			457,812		316,757
Represented by:					
Expendable endowment	12		459,298		339,803
Unrestricted income funds:	13				
General funds			-		(22,464)
Trading funds			197		248
			<u>197</u>		<u>(22,216)</u>
Unrestricted income funds excluding pension reserve			197		(22,216)
Pension reserve	13		(2,500)		(1,648)
			<u>(2,303)</u>		<u>(23,864)</u>
Total unrestricted income funds	13		(2,303)		(23,864)
Group funds attributable to the Charity			456,995		315,939
Non-controlling interest			817		818
			<u>457,812</u>		<u>316,757</u>
Total group funds			457,812		316,757

These financial statements were approved by the trustees on 16 September 2021 and were signed on their behalf by:

A B Cooper
Chair

M I Roberts
Vice Chair

The notes on pages 21 to 38 form a part of these financial statements.

Trust balance sheet

as at 31 March 2021

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Fixed assets					
Tangible assets	4		98		173
Investments	5	441,814		300,712	
Programme-related investments	6	12,376		12,371	
			<u>454,190</u>		<u>313,083</u>
Total fixed assets			454,288		313,256
Current assets					
Debtors	8	738		617	
Cash at bank and in hand		5,261		3,852	
			<u>5,999</u>	<u>4,469</u>	
Creditors: amounts falling due within one year	10	(989)		(386)	
			<u>5,010</u>		<u>4,083</u>
Net assets excluding pension liability			459,298		317,339
Pension liability	17		(2,500)		(1,648)
			<u>456,798</u>		<u>315,691</u>
Net assets including pension liability			456,798		315,691
Represented by:					
Expendable endowment	12		459,298		339,803
Unrestricted income funds:					
General funds	13		-		(22,464)
Pension reserve	13		(2,500)		(1,648)
			<u>(2,500)</u>		<u>(24,112)</u>
Total unrestricted income funds	13		(2,500)		(24,112)
			<u>456,798</u>		<u>315,691</u>
Total Trust funds			456,798		315,691

These financial statements were approved by the trustees on 16 September 2021 and were signed on their behalf by:

A B Cooper
Chair

M I Roberts
Vice Chair

The notes on pages 21 to 38 form a part of these financial statements.

Consolidated cash flow statement

for the year ended 31 March 2021

Cash flows from operating activities	<i>Note</i>	2021 £000	2020 £000
Net outgoing resources before other recognised gains and losses		(6,275)	(4,961)
<i>Adjustments for:</i>			
Investment income and interest receivable		3,397	3,315
Depreciation and impairment of tangible fixed assets	4	295	315
Movement in pension liability, excluding actuarial gains and losses	17	-	-
Realised (losses)/gains on managed fund investments	5	(137,470)	(6,043)
Gains/(losses) on investment assets		148,182	11,148
Movement in agricultural loans	7	8	9
(Increase)/Decrease in stock		(4)	-
(Increase)/Decrease in debtors	8	48	(495)
(Decrease)/Increase in creditors	10	663	(10)
Increase in provisions	11	30	39
		<hr/>	<hr/>
Net cash flow from operating activities		8,874	3,317
		<hr/>	<hr/>
Cash flow from investment activities			
Purchase of managed funds investments	5	(12,735)	(21,309)
Purchase of tangible fixed assets	4	(321)	(45)
Sale of managed funds investments	5	9,733	10,048
Gains/(losses) on investment assets	4	11	-
Net movement in cash flows attributable to managed fund Investments	5	(630)	(1,450)
		<hr/>	<hr/>
Net cash flow from investing activities		(3,942)	(12,756)
		<hr/>	<hr/>
Cash flow from financing activities			
Investment income and interest received		(3,397)	(3,315)
		<hr/>	<hr/>
Net cash flow from financing activities		(3,397)	(3,315)
		<hr/>	<hr/>
Net increase in cash and cash equivalents		1,535	(12,754)
Cash and cash equivalents at 1 April	9	6,525	19,279
		<hr/>	<hr/>
Cash and cash equivalents at 31 March	9	8,060	6,525
		<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Trust's financial statements.

1.1 Basis of preparation

The financial statements have been prepared under the historical cost accounting rules, as modified by the revaluation of investments and in accordance with the provisions of the Trust Deed, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and the Statement of Recommended Practice Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (as amended for accounting periods on or after 1 January 2019).

The financial statements are prepared in sterling, which is the functional currency of the group and charity. Monetary amounts in these financial statements are rounded to the nearest £1,000. Shetland Charitable Trust meets the definition of a public entity under FRS 102. The financial statements have been prepared in compliance with FRS 102. Assets and liabilities are initially recognised at historic cost or transaction value unless otherwise stated in the relevant accounting policy note.

Shetland Charitable Trust has three 100% owned subsidiary companies which are trading. The Trust and its subsidiaries are considered qualifying entities under FRS 102 paragraphs 1.8 to 1.12. The following exemptions are available:

- No separate Trust Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included a second time;
- The disclosures required by FRS 102.11 Basic Financial Instruments.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the trustees, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 19. The charity's business activities, together with the factors likely to affect its future development, performance and position are set out in the Trustee's Report on pages 2 to 11. The financial position of the charity, its cash flows, liquidity position and borrowing facilities are described in the Trustee's Report on pages 16 to 20. In addition, pages 9 to 10 of the financial statements include the charity's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The charity has considerable financial resources together with long-term investments with a number of fund managers across different geographic areas and industries. As a consequence, the Trustees believe that the charity is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.2 Basis of consolidation

These financial statements consolidate the assets and liabilities of the charity and its subsidiaries, Shetland Heat Energy and Power Limited, SCT Renewables Limited (formerly known as Viking Energy Limited) and Viking Energy Shetland LLP, on a line by line basis. The income and expenditure of these subsidiaries are also consolidated on a line by line basis, where appropriate.

In accordance with FRS 102, gift aid payments are accounted for in the subsidiary undertakings in the year in which an irrevocable commitment to make a payment has been made.

Notes (continued)

1 Accounting policies (continued)

1.2 Basis of consolidation (continued)

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Any non-controlling interest in subsidiaries is recognised at the non-controlling interest's share of the net assets at acquisition date adjusted for their share of losses to date.

1.3 Fund accounting

All funds of the Trust are unrestricted, to be used in accordance with the charitable objectives of the Trust at the discretion of the trustees. The expendable endowment represents the long-term investment funds of the Trust. The unrestricted income funds include the Trust's general funds, which represent the annual operating funds of the Trust, and the trading funds.

The trading funds represent the accumulated results of Shetland Heat Energy and Power Limited, SCT Renewables Limited and Viking Energy Shetland LLP, adjusted to remove gift aid payments to the Trust by those companies.

1.4 Income and endowments from other trading activities and rental income

Turnover in Shetland Heat Energy and Power Limited represents the amounts (excluding value added tax) derived from the supply of hot water for heating systems and arises entirely in the United Kingdom.

Turnover in SCT Renewables Limited represents miscellaneous income only as the company is not yet trading fully. Turnover in Viking Energy Shetland LLP represents the amounts recoverable for the services provided to clients.

Investments

Dividends are included within incoming resources when they are receivable. Loan interest is included in the statement of financial activities on an accruals basis.

1.5 Expenditure

Charitable expenditure is recognised when it is payable. The Trust has given commitments to certain charitable bodies to provide ongoing revenue funding and to finance various capital projects. In view of the long-term nature of these commitments which are subject to review, combined with the uncertainty as to the amounts involved, these commitments are accounted for only when irreversible decisions on funding are communicated to the charitable bodies.

Support costs are directly attributable to the Trust's charitable activities and are recorded within the "charitable activities" section of resources expended in the statement of financial activities.

Cost of generating funds

The cost of generating funds represents fund managers' fees.

Governance costs

Governance costs comprise the costs associated with the Trust's compliance with charity regulation and good practice and include related professional fees.

1.6 Basic financial instruments

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Notes (continued)

1 Accounting policies (continued)

1.6 Basic financial instruments (continued)

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Trust's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.7 Grants

Capital based grants received by the Trust's subsidiary undertakings are included within accruals and deferred income on the balance sheet and credited to activities for generating funds over the estimated useful economic lives of the assets to which they relate.

1.8 Investments

Managed fund investments are stated at market value. Realised and unrealised gains and losses arising on these investments are taken to the expendable endowment and are included within other recognised gains and losses in the statement of financial activities. Where investments are transferred between investment managers, an amount equal to the unrealised gains or losses on the investments as at the time of transfer is taken to the expendable endowment.

Investments in subsidiary undertakings are stated at cost less provisions. Any provisions made against these investments are charged to the expendable endowment.

1.9 Tangible fixed assets and depreciation

All expenditure incurred on tangible fixed assets is capitalised irrespective of its value (i.e. there is no minimum level above which assets purchased are capitalised). Tangible fixed assets are capitalised at cost.

Depreciation is charged to the expendable endowment to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Buildings	-	7 to 10 years
Fixtures and fittings	-	3 to 5 years
Plant and machinery	-	10 years
District Heating Infrastructure	-	30 years

The asset value of the Sullom Voe site is being depreciated over its estimated remaining economic life of ten years commencing 1 April 2012. The depreciation is charged to the expendable endowment.

Where the recoverable amount of a tangible fixed asset is found to be below its net book value, the asset is written down to its recoverable amount and the loss on impairment is charged to the relevant resources expended category in the statement of financial activities.

1.10 Investment properties

The Trust hold no investment properties.

Notes (continued)

1 Accounting policies (continued)

1.11 Taxation

The Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2011 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2011 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. There is no similar exemption for VAT.

Tax on the profit or loss of subsidiaries for the year comprises current and deferred tax. Tax is recognised in the statement of financial activities except to the extent that it relates to items recognised directly in equity or other recognised gains and losses, in which case it is recognised directly in equity or other recognised gains and losses.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. In the latter case the tax rate that is expected to apply to the reversal of the related difference is used. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.12 Employee benefits

Defined benefit plans

The Trust participates in the Local Government Pension Scheme administered by Shetland Islands Council. This scheme provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Trust in an independently administered fund.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Trust's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Trust determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability/(asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Trust's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Trust recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Notes (continued)

1 Accounting policies (continued)

1.12 Employee benefits (continued)

Defined benefit plans

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other recognised gains and losses in the period in which it occurs.

1.13 Stock

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell.

1.14 Cash and cash equivalents

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year.

2 Cost of activities in furtherance of the charity's objects

Charitable activities

The group's charitable expenditure, which mainly comprises grants payable in respect of the year, is summarised below:

	2021	2020
	£000	£000
General funds		
Payments to charitable organisations	8,333	7,311
Schemes	-	10
Charitable grants repaid	-	(3)
	<hr/>	<hr/>
Total charitable grants	8,333	7,318
Support costs, including governance costs (below)	485	623
Pension adjustments	66	93
	<hr/>	<hr/>
Total charitable expenditure – general funds	8,884	8,034
	<hr/>	<hr/>
Expendable endowment		
Depreciation	75	75
	<hr/>	<hr/>
Total resources expended on charitable activities	8,959	8,109
	<hr/> <hr/>	<hr/> <hr/>

Some payments from the Arts Grant Scheme are made to individuals. All other grants are payable to organisations. Further details of the group's charitable expenditure are included in Section 4 of the Trustees' Report.

Support costs

Support costs for the year of £461,000 (2020: £520,000) principally represent administration expenses and are all deemed to be attributable to the group's charitable activities. Included within administration expenses is £280,223 (2020: £283,166) in respect of staff costs (see note 3), of which nil (2020: £nil) was charged to subsidiaries.

Notes (continued)

2 Cost of activities in furtherance of the charity's objects (continued)

Governance costs

Governance costs totalling £57,000 (2020: £103,000) comprise the costs associated with the Trust's compliance with charity regulation and good practice. They include £33,000 (2020: £32,000) representing an appropriate apportionment of salary costs based on the proportion of the Chief Executives time spent on governance, together with Trustees' expenses (note 3), and audit fees (note 2) of £18,720 (2020: £18,000).

	Group and charity	
	Total 2021 £000	Total 2020 £000
Allocation of staff and support costs, including Trustees' allowance and expenses (see note 3)	33	32
Other costs	5	52
External auditor's remuneration:		
Audit of these financial statements	19	18
Audit of subsidiary undertakings (excluded from charitable governance costs)	14	15
Other services: taxation in relation to subsidiary undertakings	5	5
Total governance costs	76	122

3 Staff numbers and costs

The group had an average of fourteen employees during the year (2020: fourteen). The aggregate payroll cost of these employees was as follows:

	2021 £000	2020 £000
Wages and salaries	618	664
Social security costs	66	67
Pension costs	71	115
	755	846

Employee costs totalling nil (2020: £nil) were charged by Shetland Charitable Trust in respect of work performed by its subsidiary companies. Ten employees worked wholly or mainly on Shetland Heat Energy and Powers Limited's activities during the year. One employee worked part-time on SCT Renewables Limited's activities during the year.

Two employees (2020: one) received emoluments totalling between £80,000 and £89,999. Retirement benefits are accruing to these members of staff under a defined benefit pension scheme; contributions in 2020/21 totalled £22,511.

Included above are the emoluments paid to key management personnel comprising three employees totalling £232,641 (2020: four employees totalling £334,969) including £28,888 (2020: £35,238) in social security costs and £32,259 (2020: £83,222) in pension contributions.

Expenses totalling £nil (2020: £505) were reimbursed or paid on behalf of trustees (2020: two trustees) during the year.

Notes (continued)

4 Tangible fixed assets

Group	Land and buildings £000	District heating scheme infrastructure £000	Other plant, machinery and AUC £000	Total £000
Cost or valuation				
At beginning of year	11,411	3,989	2,222	17,622
Additions	-	-	321	321
Disposals	-	-	(11)	(11)
At end of year	11,411	3,989	2,532	17,932
Depreciation				
At beginning of year	11,238	513	1,284	13,035
Charge for year	75	133	87	295
At end of year	11,313	646	1,371	13,330
Net book value At 31 March 2021	98	3,343	1,161	4,602
At 31 March 2020	173	3,476	938	4,587

Land and buildings primarily consist of the site at Sullom Voe, plus the six rural care homes, previously operated by Shetland Welfare Trust, and donated to the Trust in 2007. The rural care homes had been previously funded by the Trust and the capital grant conditions applied to the funding to Shetland Welfare Trust required any building owned by Shetland Welfare Trust to be transferred to the Trust when Shetland Welfare Trust ceased to operate (effectively 1 April 2006). These are specialised buildings in rural locations in Shetland without comparators, which mean that it is not possible to establish a meaningful valuation for them in their present use. The Trustees therefore capitalised them at original cost, in line with the Trust's accounting policy for tangible fixed assets, which they believed to be a reasonable indication of their value at the date they were donated. The buildings continue to be used as care homes, in furtherance of the Trust's charitable objects, and as such are not held for investment purposes.

The net book value of other tangible fixed assets relates to plant and machinery, fixtures and fittings held by Shetland Heat Energy and Power Limited.

Notes (continued)

4 Tangible fixed assets (continued)

Charity

	Land and buildings £000	Donated Assets £000	Total £000
Cost			
At beginning and end of year	2,252	9,159	11,411
	=====	=====	=====
Depreciation			
At beginning of year	2,102	9,136	11,238
Charge for year	75	-	75
	-----	-----	-----
At end of year	2,177	9,136	11,313
	-----	-----	-----
Net book value			
At 31 March 2021	75	23	98
	=====	=====	=====
At 31 March 2020	150	23	173
	=====	=====	=====

5 Managed funds

Group and Charity	2021 Market Value £000	2021 Cost £000	2020 Market Value £000	2020 Cost £000
UK equities	27,809	24,329	20,564	24,329
Overseas equities	327,323	111,418	201,643	113,170
Diversified Investment Fund units	31,537	26,702	27,461	26,702
Property units	49,939	44,235	48,202	41,214
	-----	-----	-----	-----
	436,608	206,684	297,870	205,415
	-----	-----	-----	-----
Total investments	436,608	206,684	297,870	205,415
Cash on deposit and in hand	5,206	5,206	2,842	2,842
	-----	-----	-----	-----
	441,814	211,890	300,712	208,257
	=====	=====	=====	=====

Notes (continued)

5 Managed funds (continued)

	2021	2020
	£000	£000
Reconciliation of market value of investments		
Market value at beginning of year	300,712	281,958
Investments purchased	12,735	21,309
Investments sold	(9,733)	(10,048)
Total realised gains on managed fund investments	137,470	6,043
Movement in investment managers' cash balances, accrued income and expenses	630	1,450
	<hr/>	<hr/>
Market value at end of year	441,814	300,712
	<hr/> <hr/>	<hr/> <hr/>

As at 31 March 2021, the Trust's funds other than programme-related investments are managed by Insight Investment Management, BlackRock Global Investors, Baillie Gifford & Co. and Schroders Property Managers. The split of the portfolio between the investment managers is as follows:

	2021	2021	2020	2020
	Market	Cost	Market	Cost
	value	£000	value	£000
	£000	£000	£000	£000
Insight Investment Management	31,537	26,702	27,462	26,702
BlackRock Global Investors	93,960	58,079	70,240	56,664
Baillie Gifford	261,189	77,684	152,119	80,989
Schroders Property Managers	55,128	49,425	50,891	43,902
	<hr/>	<hr/>	<hr/>	<hr/>
	441,814	211,890	300,712	208,257
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

6 Programme-related investments

	Group		Charity	
	2021	2020	2021	2020
	£000	£000	£000	£000
Equity (below)	6,638	6,638	12,369	12,356
Loans (note 8)	7	15	7	15
	<hr/>	<hr/>	<hr/>	<hr/>
	6,645	6,653	12,376	12,371
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

6 Programme-related investments (continued)

Equity – Group	Shares in subsidiary undertakings £000	Total £000
Cost		
At beginning of year	7,970	7,970
	<hr/>	<hr/>
Cost at end of year	7,970	7,970
	<hr/>	<hr/>
Provisions		
At beginning of year	(1,332)	(1,332)
	<hr/>	<hr/>
Provisions at end of year	(1,332)	(1,332)
	<hr/>	<hr/>
Net book value		
At 31 March 2021	6,638	6,638
	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2020	6,638	6,638
	<hr/> <hr/>	<hr/> <hr/>

Equity – Charity	Investments in subsidiary undertakings £000
Cost	
At beginning of year	15,016
Additions	25
	<hr/>
Cost at end of year	15,041
	<hr/>
Provisions	
At beginning of year	2,660
Provided in year	12
	<hr/>
Provisions at end of year	2,672
	<hr/>
Net book value	
At 31 March 2021	12,369
	<hr/> <hr/>
At 31 March 2020	12,356
	<hr/> <hr/>

Notes (continued)

6 Programme-related investments (continued)

As stated in note 1, these consolidated financial statements include the results of the charity's wholly owned trading subsidiaries, Shetland Heat Energy and Power Limited (SHEAP) and SCT Renewables Limited (SCT R) and also those of Viking Energy Shetland LLP (VES), over which the Trust has a controlling interest of 90%. The trading results of these companies are summarised below:

	2021 SHEAP £000	2021 SCT R £000	2021 VES £000	2021 Total £000	2020 Total £000
Turnover	2,503	-	-	2,503	3,052
Cost of sales	(1,236)	-	-	(1,236)	(1,434)
Gross profit	1,267	-	-	1,267	1,618
Administration expenses	(1,110)	(4)	(9)	(1,123)	(1,573)
Depreciation on investment properties	-	-	-	-	-
Provision made against equity investment	-	(8)	-	(8)	(125)
Operating profit/(loss)	157	(12)	(9)	136	(80)
Gain on disposal of investment properties	-	-	-	-	-
Interest receivable and similar income	1	-	-	1	8
Profit/(loss) on ordinary activities before taxation	158	(12)	(9)	137	(72)
Tax on profit/(loss) on ordinary activities	(18)	-	-	(18)	(39)
Profit/(loss) on ordinary activities after taxation being profit/(loss) for the financial year	140	(12)	(9)	119	(111)
Gift aid payment to Shetland Charitable Trust	-	-	-	-	-
Retained (loss)/profit for the year after Gift Aid payment	140	(12)	(9)	119	(111)

Consistent with the current guidance, the Directors now consider the Gift Aid payment to be akin to a distribution rather than an expense, and as a result have now presented it outside of the profit and loss account as an adjustment to profit taken to retained earnings.

Notes (continued)

6 Programme-related investments (continued)

The expenditure of the companies, as recorded in the consolidated statement of financial activities, is analysed as follows:

	2021	2020
	Total	Total
	£000	£000
Cost of sales	1,236	1,434
Administration expenses	1,123	1,573
Tax charge on profit on ordinary activities	18	39
Interest receivable and similar income	(1)	(8)
	<hr/>	<hr/>
	2,376	3,038
	<hr/> <hr/>	<hr/> <hr/>

The assets and liabilities of the subsidiaries before consolidation were:

	2021	2021	2021	2021	2020
	SHEAP	SCT R	VES	Total	Total
	£000	£000	£000	£000	£000
Tangible fixed assets	4,504	-	-	4,504	4,415
Investments	-	7,356	6,651	14,007	14,016
Current assets	2,119	27	1,526	3,672	3,712
Current liabilities	(1,343)	(4)	(3)	(1,350)	(1,292)
Provisions for liabilities and charges	(82)	-	-	(82)	(52)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets	5,198	7,379	8,174	20,751	20,799
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Called up share capital	1,000	10,052	8,174	19,226	19,210
Profit and loss account	855	(2,673)	-	(1,818)	(1,887)
Capital contribution reserve	3,343	-	-	3,343	3,476
Revaluation reserve	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total reserves	5,198	7,379	8,174	20,751	20,799
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Further details of the subsidiary companies and of their tax charge for the year are included in their financial statements, copies of which may be obtained from Companies House, 139 Fountainbridge, Edinburgh EH3 9FF.

7 Programme-related investments – Loans

	2021	2020
	£000	£000
Group and charity		
Agricultural Ten Year Loan Scheme	7	15
Provisions for doubtful debts	-	-
	<hr/>	<hr/>
	7	15
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

8 Debtors

	Group		Charity	
	2021 £000	2020 £000	2021 £000	2020 £000
Trade debtors	623	755	-	-
Amounts owing from subsidiary undertakings	-	114	-	-
Prepayments and accrued income	222	229	161	180
Other debtor	144	79	-	-
Programme-related loans	577	437	577	437
	<u>1,566</u>	<u>1,614</u>	<u>738</u>	<u>617</u>

9 Cash and cash equivalents

Group	2021 £000	2020 £000
Cash at bank and in hand	<u>8,060</u>	<u>6,525</u>

10 Creditors: amounts falling due within one year

	Group		Charity	
	2021 £000	2020 £000	2021 £000	2020 £000
Trade creditors	1,208	1,169	60	1
Other tax and social security	12	3	-	-
Other creditors and accruals	1,120	505	929	385
	<u>2,340</u>	<u>1,677</u>	<u>989</u>	<u>386</u>

11 Provisions for liabilities and charges

Group	Deferred taxation £000
At beginning of year	52
Credit for the year	30
Effect of increased tax rates	-
At end of year	<u>82</u>

The deferred tax liability arising within the Trust's subsidiary companies at the year-end of £81,994 (2020: £51,824) is analysed as follows:

Notes (continued)

11 Provisions for liabilities and charges (continued)

Group	Assets		Liabilities		Net	
	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000
Accelerated capital allowances	-	-	82	52	82	52
Net tax (assets) / liabilities	-	-	82	52	82	52

12 Expendable endowment

	Group Total £000	Charity Total £000
At beginning of year	339,803	339,803
Outgoing resources	(1,646)	(1,646)
Gain in the year	148,182	148,182
Transfers	(27,041)	(27,041)
At end of year	459,298	459,298

13 Unrestricted income funds

Group	General funds £000	Trading funds £000	Pension reserve £000	Revaluation reserve £000	Total unrestricted income funds £000
At beginning of year	(22,464)	248	(1,648)	-	(23,864)
Net movement in funds	(4,577)	(51)	(66)	-	(4,694)
Transfers	27,041	-	-	-	27,041
Actuarial losses	-	-	(786)	-	(786)
At end of year	-	197	(2,500)	-	(2,303)

Charity		General funds £000	Pension reserve £000	Total unrestricted income funds £000
At beginning of year		(22,464)	(1,648)	(24,112)
Net incoming resources before other recognised gains and losses		(4,577)	(66)	(4,643)
Transfers		27,041	-	27,041
Actuarial Losses		-	(786)	(786)
At end of year		-	(2,500)	(2,500)

Notes (continued)

The group trading funds balance now represents the accumulated surplus on the Trust's subsidiary company undertakings, while the group and charity general fund balances have been brought into alignment. A transfer has been made to the General Fund from the Endowment Fund to eliminate the non-pension related deficit accumulated on the General Fund.

14 Operating leases

Group

Non-cancellable operating lease rentals are payable as follows:

	2021	2020
	£000	£000
Less than one year	16	18
Between one and five years	59	60
More than five years	197	211
	<hr/> 272 <hr/>	<hr/> 289 <hr/>

During the year £15,671 was recognised as an expense in the consolidated statement of financial activities in respect of operating leases (2020: £17,677).

15 Commitments

Capital commitments

Shetland Heat Energy and Power Limited's contractual commitments to purchase tangible fixed assets at the year-end were Nil (2020: £19,238).

16 Subsequent Events

There were no subsequent events post the balance sheet date and prior to the date of signing these accounts that would have a material impact on the results reported or the financial position of the group.

17 Pension scheme

The Trust participates in the Shetland Islands Council Pension Fund which provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Trust. The information disclosed below is in respect of the Trust's share of the assets and liabilities throughout the periods shown.

The latest full actuarial valuation was carried out at 31 March 2020 and was updated for FRS 102 purposes to 31 March 2021 by a qualified independent actuary.

	2021	2020
	£000	£000
Net pension liability defined benefit obligation	(5,728)	(4,440)
Fair value of plan assets	3,375	2,920
	<hr/> (2,353) <hr/>	<hr/> (1,520) <hr/>
Unfunded defined benefit obligations	(147)	(128)
	<hr/> (2,500) <hr/>	<hr/> (1,648) <hr/>

Notes (continued)

17 Pension scheme (continued)

Movements in present value of defined benefit obligation:

	2021	2020
	£000	£000
At 1 April	4,568	5,188
Current service cost	70	87
Interest cost	104	124
Actuarial losses/(gains)	1,274	(724)
Contributions by members	17	16
Benefits paid	(158)	(123)
	<hr/>	<hr/>
At 31 March	5,875	4,568
	<hr/> <hr/>	<hr/> <hr/>

Movements in fair value of plan assets:

	2021	2020
	£000	£000
At 1 April	2,920	3,216
Expected return on plan assets	66	76
Actuarial gains/(losses)	488	(307)
Contributions by employer	42	42
Contributions by members	17	16
Benefits paid	(158)	(123)
	<hr/>	<hr/>
At 31 March	3,375	2,920
	<hr/> <hr/>	<hr/> <hr/>

Expenditure recognised in the statement of financial activities:

	2021	2020
	£000	£000
Current service cost	(70)	(87)
Interest cost	(38)	(48)
	<hr/>	<hr/>
Total	(108)	(135)
	<hr/> <hr/>	<hr/> <hr/>

The expenditure is recognised in the following line items in the statement of financial activities:

	2021	2020
	£000	£000
Charitable activities – support costs	(108)	(135)
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

17 Pension scheme (continued)

The total amount recognised in the other recognised gains and losses section of the statement of financial activities are as follows:

	2021 £000	2020 £000
Actuarial gains/(losses)	(1,274)	724
Return on assets attributed to the Charity excluding interest income	488	(307)
	<u>(786)</u>	<u>417</u>

The fair value of the plan assets and the return on those assets were as follows:

	2021 Fair value £000	2020 Fair value £000
Equities	2,734	2,278
Bonds	270	234
Property	337	350
Cash	34	58
	<u>3,375</u>	<u>2,920</u>
Actual return on plan assets	<u>816</u>	<u>(231)</u>

The expected rates of return on plan assets are determined by reference to the historical actual returns on the fund as provided by the administering authority and index returns where necessary.

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2021 %	2020 %
Discount rate	2.00	2.3
Future salary increases	2.85	2.4
Inflation / pension increase rate	2.85	1.9

In valuing the liabilities of the pension fund at 31 March 2021, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

Current pensioner aged 65: 20.8 years (male), 23.1 years (female).

Future retiree upon reaching 65: 22.3 years (male), 25.3 years (female).

The Trust expects to contribute approximately £37,000 (2020: £36,000) to its defined benefit plans in the next financial year to 31 March 2021.

Notes (continued)

18 Related parties

In the year to 31 March 2021 the SCT Renewables Limited invested £Nil (2020: £Nil) in Viking Energy Shetland LLP in which SCT Renewables Limited is a 90% partner.

On 22 July 2020, the Board of Shetland Heat Energy and Power Limited agreed to pay £190,000 by way of a gift aid payment to the Trust in respect of their profits for 2019/20.

In the normal course of business, some of the Trustees are appointed as directors or as Trustees of other organisations and charitable bodies within the Shetland Islands, including those which the Trust may from time to time transact with, either through routine business or in the provision of charitable grants. These relationships are not considered to be related party transactions as in no instance is the level of mutual trustees such as to provide direct or indirect control, or to place the Trustees in a position where they are able to provide influence over the financial and operating policies of the other organisations.

There are no outstanding amounts owed to/by related parties.

19 Accounting estimates and judgements

Key sources of estimation uncertainty

The preparation of the financial statements requires Trustees and directors of the subsidiary companies to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Critical accounting judgements in applying the Company's accounting policies

The Trustees believe that major judgements are applied around depreciation and pension valuation assumptions.

The Trust participates in the Shetland Islands Council Pension Fund which provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Trust. In valuing the liabilities of the pension fund and the Trust's share of the scheme assets at 31 March 2021, assumptions have been made. The latest full actuarial valuation was carried out at 31 March 2020 and was updated for FRS 102 purposes to 31 March 2021 by a qualified independent actuary. The assumptions used are consistent with those prescribed for FRS 102.

The directors of Shetland Heat Energy and Power Limited believe that the major judgements applied are around the PPE, depreciation rates and bad debt provision. The company exercises judgement to determine useful lives and residual values of property, plant and equipment. The assets are depreciated down to their residual values over their estimated useful lives. The company exercises judgement in levels of bad debt provisions required based on its knowledge of customers and past experience.

Shetland Charitable Trust

Audit findings report
year ended 31 March 2021

19 August 2021



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Executive Summary

This report summarises our key findings in connection with the audit of the financial statements of Shetland Charitable Trust and its subsidiaries in respect of the year ended 31 March 2021.

The scope of our work was communicated to you via our Audit Plan document. We believe that the audit approach adopted will provide the Audit and Governance Advisory Committee with the required confidence that a thorough and robust audit has been carried out.

Our audit work is substantially complete and subject to the successful resolution of outstanding matters, we anticipate issuing an unmodified audit opinion on the group's financial statements in line with the agreed timetable.

Outstanding items to be resolved:

- Update post balance sheet review to date of sign-off
- Final review of financial statement disclosures prior to release for signing

Risks and approach

We have carried out testing as planned on the risks identified during planning and are satisfied that these risks have been addressed as explained further on pages 4 to 5 of this report. No new risks were identified during the audit.

Additional matters

There are no additional matters to that came to light as a result of our work to report.

Unadjusted audit differences

We have identified no material audit adjustments that need to be brought to your attention.

Disclosures and Omissions

There are no key disclosure items that have not been adjusted by management.

Final Materiality

There was no change to the materiality determined as part of the planning process

Risks identified at the planning stage

Risk	Description	Response	Findings
Management override	Systems of internal control are designed to mitigate inherent risks of error within the core control systems to an acceptable level. By nature, a management override or by-pass of controls cannot be eliminated by the implementation of controls and therefore as part of our audit we will perform additional tests of detail to address this risk.	<p>We will:</p> <ol style="list-style-type: none"> 1. Test the appropriateness of a sample of journal entries recorded in the general ledger and other adjustments made in the preparation of financial statements, tracing selected entries back to source documentation. 2. Review significant accounting estimates and policies which could involve bias resulting in a material misstatement. 3. Discuss the basis and business rationale for any significant non-routine or contentious transactions which come to our attention during the course of our audit and will fully report the outcomes of our testing in our audit findings report. 	<p>We have reviewed the journal posting process. Journals posted in the year are in line with our understanding of how Shetland Charitable Trust and its subsidiaries operates. This includes segregation of duties around journals and authorisation controls.</p> <p>We have reviewed any significant estimates and the main one is the pension provision figure which is provided by Hymans Robertson. Their assumptions are in line with benchmark data and appear reasonable.</p> <p>We have not found any significant transactions that are outside the normal course of business.</p> <p>We conclude that there is no evidence of management override.</p>
Investments valuation	<p>There is a risk that the fair value of listed investments will be incorrectly recognised in the financial statements and that disclosures will not accurately reflect movements in the year.</p> <p>There is a risk that programme related investments could be impaired.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Use substantive analytical review procedures to ensure that listed investment values and any changes are consistent with market movements and that investments are stated correctly in accordance with the accounting policy and agree to the third-party reports supplied by the Investment Managers. • Discuss with you the strategy and future plans for programme related investments and review management's assessment of impairment. Indicators of impairment will be reviewed and discussed. 	<p>We completed our planned testing on investments and note the exceptional gains in value in line with the unprecedented market conditions in the year. Our work included agreeing the information to the Northern Trust valuations.</p> <p>We also obtained confirmations from the individual fund managers which were consistent on a unit basis. As usual, there were differences on the price/ valuation due to the varying valuation methods used by the fund managers. The Trust has valued investments in the financial statements at fair market value in line with the Northern Trust report. This is on a consistent and prudent basis, and in line with prior periods. We therefore conclude there are no misstatements in this area.</p> <p>We reviewed the position with the subsidiary companies and the consolidation. Shetland Heat Energy and Power Limited (SHEAP) are generating profits and there are no indicators of impairment. During the year a gift aid donation of £190k was made from SHEAP to SCT (this was accurately accounted for on consolidation).</p>

Risk	Description	Response	Findings
Pension scheme deficit	The Trust participates in the Shetland Islands Council defined benefit pension scheme. Given the present market conditions and potential adjustments to historical assumptions, the valuation of the pension scheme liability is a significant. The latest valuation for the scheme will impact assets and liabilities in the financial statements. FRS 102 has detailed financial reporting disclosures that must be detailed in the financial statements.	<p>We will:</p> <ul style="list-style-type: none"> Review the assumptions used in assessing the reasonableness of the pension scheme liability in conjunction with management and their advisers. Consider the accounts disclosures to determine if they meet the disclosure requirements of FRS 102 Discuss the Actuary's report with management and any correspondence with pension specialists. 	<p>A further investment was made by SCT in SCT Renewables Limited (SCT R) of £25k for a share issue to allow SCT R to meet its administrative costs for the coming years. We reviewed the documentation in relation to this and the share certificate.</p> <p>SCT R hold an investment in Viking Energy Shetland LLP (VES) which holds an interest in the Viking Energy windfarm. During the year the windfarm and interconnector have been approved and construction has commenced.</p> <p>The trust has a preferred return based on windfarm output and we have reviewed documentation relating to this. The discounted cash flow previously prepared on the future returns demonstrates that there is no impairment of the investment.</p> <p>At the year-end, based on the evidence in this area, we concluded that the investment valuation basis was reasonable.</p> <p>We have reviewed the pension scheme documentation provided from the actuaries including assumptions which appear reasonable when compared to benchmark data. The valuation of the pension scheme deficit is in line with FRS 102 and the financial statement disclosures are consistent with this. We conclude that there are no misstatements in this area. There continues to be a deficit, although this is not significant in the context of the total Trust balance sheet.</p>

Observations / recommendations

Control recommendations

VES PSC status

As part of our client re-acceptance procedures we review the Persons of Significant Control (PSC) status as registered on Companies House for the subsidiaries. We noted some possible discrepancies in relation to VES. These are still being discussed with Trust lawyers to determine the position and update the Companies House records. It is important that these statutory records are kept up to date on a timely basis. RSM have a duty to report any discrepancies to Companies House, therefore it is important that this matter is clarified.

Other

No other recommendations on internal controls have come to our attention during the course of our audit work. As highlighted last year, we note as a positive that during lockdown the controls have been maintained with authorisations documented via email and the audit trail maintained electronically.

This does not constitute a comprehensive statement of all internal control matters or of all improvements which may be made and has addressed only those matters which have come to our attention as a result of the audit procedures performed. An audit is not designed to identify all matters that may be relevant to you and accordingly the audit does not ordinarily identify all such matters.

Finance process

VAT registration

The trust is VAT registered but there are no taxable supplies (all income is from investments) and properties have not been opted to tax. Nil returns are filed. The Trust should de-register for VAT and this would reduce the administration burden for the finance team. Note if any land/property that falls within the capital goods scheme in the last 10 years on which VAT was reclaimed, there may be a deemed sale on de-registration. This point was highlighted last year but no steps have yet been taken to de-register so we highlight it again to keep it under review.

Other matters to be reported

Significant qualitative aspects of the entity's accounting practices

The charity correctly applies the Charities SORP and FRS 102 and there are no material misstatements in the selection or application of accounting policies. We highlight the following for noting:

Endowment funds – allocation of investment managers' fees

In the first draft of the financial statements the investment managers' fees had been allocated to unrestricted funds (consistent with presentation in previous years). These relate to the investments and therefore can be allocated against endowment funds. It was agreed to reallocate the investment manager's fees against endowment funds. This did not affect the overall position.

Endowment funds – transfer to general funds

Per the accounting policies all funds of the Trust are unrestricted, to be used in accordance with the charitable objectives of the Trust at the discretion of the trustees. The expendable endowment represents the long-term investment funds of the Trust. Per the Charities SORP if the trustees exercise the power to spend or apply the capital of the expendable endowment, the relevant funds become unrestricted funds. This means a transfer could be reflected in the accounts from expendable endowment to unrestricted general funds. A transfer has been carried out to cover the historical deficit on general funds – leaving only the pension scheme deficit. As this is a transfer between funds then the overall result and position is unaffected.

Management judgements and accounting estimates

The following areas are considered to be the principal accounting estimates. The graphic below visually represents the impact (lower or higher) on the financial statements of a change in management's estimate. In overview, a reasonably possible change in estimate that has a low impact means that such a change will have limited impact on the financial statements. Conversely a reasonably possible change that has a higher impact, means that such a change can have a significant impact.

Estimates	Low impact		High impact
Provision for bad debts	●		
Valuation of defined benefit pension schemes	●		
Valuation of investments			●

Update on matters communicated at the planning stage

Matter communicated**Update**

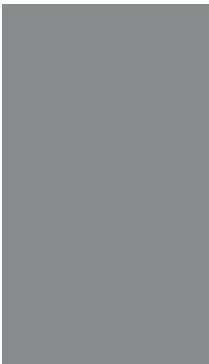
Fees

We confirm that the fees charged during the year in respect of services performed are consistent with those contained within our Audit Plan submitted to you

Independence

In accordance with International Standard on Auditing (UK) 260 "Communication with those charged with governance", there are no changes to the details of relationships between RSM UK Audit LLP including its related entities and persons in a position to influence the conduct or outcome of the audit and Shetland Charitable Trust and its connected parties that may reasonably be thought to bear on our independence, integrity and objectivity and the related safeguards from those disclosed in the Audit Plan [or provide details of changes].

This report has been prepared for the sole use of Shetland Charitable Trust and must not be disclosed to any third party, or quoted or referred to, without our written consent. No responsibility is assumed to any other person in respect of this report.



Unadjusted accounting misstatements

We have identified no unadjusted misstatements during the course of our work which require to be brought to your attention.

We have not disclosed below those items that we consider to be “clearly trivial” in the context of our audit. For this purpose, we consider “clearly trivial” to be any matter less than £14.5k individually and in aggregate.

Financial statement disclosures

During the course of our audit, we reviewed the adequacy of the disclosures contained within the financial statements and their compliance with both relevant accounting standards and the requirements of the Charities SORP and FRS 102. A list of disclosure points has been sent to the Executive Business Manager and the financial statements have been updated accordingly. The only point to highlight here is in relation to the classification of investment manager fees and the transfer between endowment funds and general funds (see Other matters section for more information).

Communication of audit matters to those charged with governance

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing, materiality and expected general content of communications including significant risks and key audit matters	●	
Matters in relation to the group audit, including scope of work on components	●	
Confirmation of independence and objectivity	●	●
Views about significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issues arising during the audit and written representations that have been sought		●
Unadjusted accounting misstatements and material financial statement disclosure omissions		●

ISA (UK) 260, as well as other ISAs (UK), prescribes matters which we are required to communicate with those charged with governance, and which we set out in the table here.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while the Audit Findings presents key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Financial reporting updates

Important updates

A full list of financial reporting updates can be found by clicking the link below:



Choose your preferences



Keep up to date on the latest news and legislation changes by signing up to receive our alerts and newsletters.

Register here



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Our Report is prepared solely for the confidential use of Shetland Charitable Trust and solely for the purpose of explaining the scope of the audit, our proposed audit approach, and to highlight the key risks that we will be focusing our audit work upon, forming part of the ongoing communications we are required to make under International Standard on Auditing (UK and Ireland) 260 – Communication of audit matters with those charged with governance. Therefore, the report may not, without our express written permission, be relied upon by Shetland Charitable Trust for any other purpose whatsoever, be referred to in whole or in part in any other external document or made available (in whole or in part) or communicated to any other party. RSM UK Audit LLP neither owes nor accepts any duty to any other party who may receive our Report and specifically disclaims any liability for any loss, damage or expense of whatsoever nature, which is caused by their reliance on our Report.

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The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, London EC4N 6JJ. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

RSM Corporate Finance LLP, RSM Restructuring Advisory LLP, RSM Risk Assurance Services LLP, RSM Tax and Advisory Services LLP, RSM UK Audit LLP, RSM UK Consulting LLP, RSM Northern Ireland (UK) Limited and RSM UK Tax and Accounting Limited are not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services because we are licensed by the Institute of Chartered Accountants in England and Wales. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide. RSM Legal LLP is authorised and regulated by the Solicitors Regulation Authority, reference number 626317, to undertake reserved and non-reserved legal activities. It is not authorised under the Financial Services and Markets Act 2000 but is able in certain circumstances to offer a limited range of investment services because it is authorised and regulated by the Solicitors Regulation Authority and may provide investment services if they are an incidental part of the professional services that it has been engaged to provide. RSM & Co (UK) Limited is authorised and regulated by the Financial Conduct Authority to conduct a range of investment business activities. Before accepting an engagement, contact with the existing accountant will be made to request information on any matters of which, in the existing accountant's opinion, the firm needs to be aware before deciding whether to accept the engagement.



Chief Executive: Ann Black

Registered Charity Number SC027025

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Date: 16 September 2021

Our Ref: TA2
Your Ref:

Dear Sirs

AUDIT OF FINANCIAL STATEMENTS – 31 MARCH 2021

This representation letter is provided in connection with your audit of the financial statements of Shetland Charitable Trust for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view, in accordance with the applicable financial reporting framework. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Generally Accepted Accounting Practice.

We confirm that to the best of our knowledge and belief, and having made appropriate enquiries of other Trustees and officials of the charity and other entities included in the group financial statements:

Financial Statements

1. We acknowledge and have fulfilled our responsibilities, as set out in the terms of the audit engagement dated 12 March 2020, for ensuring that the charity and group maintains adequate accounting records and for the preparation and presentation of the financial statements in accordance with the applicable financial reporting framework, in particular the financial statements give a true and fair view in accordance therewith.
2. We confirm that the methods, significant assumptions and the data used in making accounting estimates and the related disclosures are appropriate in the context of the applicable financial reporting framework.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework. In particular, full disclosure is made in the financial statements of:
 - a. any advances and credits granted by the charity to trustees and guarantees of any kind entered into on behalf of the trustees;
 - b. the identity of the party which controls and (if different) the party which ultimately controls the charity, if any;

- c. transactions and balances with related parties including:
 - the names of the transacting parties;
 - the nature of the related party relationship;
 - a description of the transactions;
 - the amount of the transactions;
 - the amount of outstanding balances and:
 - their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
 - details of any guarantees given or received;
 - provisions for uncollectible receivables related to the amount of outstanding balances;
 - the expense recognised during the period in respect of bad or doubtful debts due from related parties; and
 - any other information about the transactions, outstanding balances and commitments necessary for an understanding of the potential effect of the relationship on the financial statements.
 - d. key management personnel compensation.
4. Full disclosure is made in the financial statements of:
 - a. outstanding capital commitments contracted for at the balance sheet date;
 - b. all contingent liabilities including details of pending litigation and material claims against the charity and group;
 - c. all guarantees or warranties or other financial commitments including those given to or on behalf of other group entities.
 5. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
 6. There have been no events or conditions (e.g. loss or reduction of source of income, loss of key customer, supplier or member of staff, change in credit terms offered by suppliers, breaches of bank or other covenants, changes in banking or insurance arrangements or facilities) other than those already advised to you since the balance sheet date that would impact on the ability of the charity and group to continue as a going concern. Should such events or conditions occur prior to your signature of the audit report we will advise you immediately. Except as already incorporated into our cash flow and profit forecasts we have no plans or intentions that would impact on the ability of the charity and group to continue as a going concern.
 7. With regards to our going concern assessment we confirm that our future plans are as follows:

We do not currently intend to change the nature, scale or focus of our operations. The charity has considerable financial resources together with long-term investments with a number of fund managers across different geographic areas and industries. As a consequence, the Trustees believe that the charity is well placed to manage its business risks successfully.
 8. We confirm that our going concern assessment covers the period ending 31 March 2025.
 9. All events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have

been adjusted or disclosed. Should such further material events occur prior to your signature of the audit report we will advise you accordingly.

10. The effects of uncorrected misstatements (whether arising from differences in amount, classification, presentation or disclosure of a reported financial statement item and the amount, classification, presentation or disclosure that is required for the item to be in accordance with the applicable financial reporting framework) are immaterial, both individually and in the aggregate, to the financial statements as a whole. There are no uncorrected misstatements.
11. All charities, companies and trusts controlled by the charity have been consolidated in the group financial statements.
12. All designated and restricted fund balances are correctly shown in the accounts.
13. In respect of items held at fair value and investments held at cost less impairment we confirm that the significant assumptions used, and valuation basis are reasonable at the year end and investments are not impaired.

Information Provided

1. As agreed in the terms of engagement, we have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters including minutes of Trustees meetings and committees held between the beginning of the accounting period and the date of this letter;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the charity and group and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
5. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
6. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements. We have also notified you of the actual or contingent consequences which may arise from such non-compliance, including any potential effects on the charity's and group's ability to conduct its activities.
7. We have disclosed to you the identity of the charity's and group's related parties and all the related party relationships and transactions of which we are aware.

8. We have disclosed to you details of all known actual or possible litigation and claims whose effect should be considered when preparing the financial statements.
9. All grants, donations and other incoming resources, the receipt of which is subject to specific terms and conditions, have been notified to you. There have been no breaches of terms and conditions in the application of such incoming resources.
10. We confirm that we have disclosed to you details of all banking and financing arrangements including related contracts and hedging products.
11. We confirm that we have informed you of all tax avoidance schemes used by the group.
12. We confirm that as far as we are aware:
 - no services have been provided to us or our affiliated entities by RSM network firms and their related entities that we have not already informed you of;
 - no gifts, hospitality, favours, donations or sponsorship have been exchanged between us or our affiliated entities and RSM network firms and their related entities that we have not already informed you of;
 - no employment relationships exist between us or our affiliated entities and partners or employees of RSM network firms and their related entities we have not already informed you of; and
 - no other business or personal relationships exist between us or our affiliated entities and RSM network forms and their related entities we have not already informed you of.

Charitable Status

1. We have not conducted, or permitted to be conducted any activities which call into question the charitable nature of the charity or the group.
2. There have been no communications with OSCR or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any administrative duty.

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

To assist the auditor in complying with ISA (UK) 720 The Auditor's Responsibilities Relating to Other Information, we confirm that we have informed you of all the documents that will be communicated to the members/trustees with the annual report.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

The contents of this letter were considered and approved by the board at its meeting on 16 September 2021.

Yours faithfully

Signed on behalf of the board of Shetland Charitable Trust

Trustee

Date 16 September 2021

REPORT

To: Shetland Charitable Trust

Date: 16 September 2021

From: Chief Executive

Report: CT2109016

Financial Plan 2020 - 2025

1. Introduction

- 1.1 The purpose of this report is to seek Trustee approval of the revised Financial Plan 2020 - 2025 attached as Appendix A.

2. Background

- 2.1 “The Trust’s long term financial aim is to use the average investment growth above inflation on the Trust’s reserves to support annual expenditure, and so to be able to pass on the reserves preserved against inflation to future generations” (CT0805040).
- 2.2 This approach is known as “self sustainable use of reserves” or sometimes simply “self-sustainability”. By aspiring to be self-sustainable, the reserves of the Trust should grow by inflation.
- 2.3 The Trust approved its current Financial Plan in September 2019 (CT1909030) covering the period 2020-2025. It stated that expenditure should be no more than £11.1 million per annum by 2024/25 in order for the Trust to be self-sustainable.

3. Present Position

- 3.1 As at 30 June 2019, when the current Financial Plan was formulated, the Trust’s externally managed investments were £307 million.
- 3.2 The Financial Plan envisaged the Trust’s external investments to be valued at around £321m as at 31 March 2021.
- 3.3 However, the actual value of the Trust’s external investments at 31 March 2021 was £442m. This is £121m higher than the projected value.
- 3.4 It was therefore considered appropriate for the Financial Plan 2020–25 to be revised to take account of the significant growth in funds since it was formulated.

4. Revised Financial Plan

- 4.1 To achieve the Trust's aim of self-sustainability over the period it is necessary to make assumptions for future price inflation and the future return on external investments.
- 4.2 In 2019, the core assumptions applied were:
 - a) Future Investment Return – 6.5% per annum
 - b) Future Rate of Inflation – 3.0% per annum
 - c) Fund Buffer – 15% of externally managed investments.
- 4.3 These assumptions have been retained and were reviewed as part of the investment review. They were considered as appropriate for the period up to 2024/25.
- 4.4 The revised Financial Plan now uses £442m as the baseline for the calculation of the projected maximum budgets for 2022/23 - 2024/25, as detailed in Appendix A.

5. Financial Implications

- 5.1 Adopting the proposed Financial Plan could increase the **maximum** Trust expenditure by approximately £4.0 million in 2022/23 potentially rising to around £4.6 million in 2024/25.

6. Conclusion

- 6.1 The Trust seeks to approve a revised Financial Plan for the remaining 3 years, which takes into account the increase in Trust funds, but also meets its long-term financial strategy of self-sustainability.
- 6.2 The Investment Advisory Committee has considered the plan, and have recommended the assumptions detailed above be approved by Trustees as the basis for the Financial Plan 2020 - 2025.

7. Recommendations

- 7.1 The Investment Advisory Committee recommend Trustees approve the Financial Plan 2020–2025, set out in Appendix A.

Financial Plan 2020-2025

The Financial Plan for the Trust is overseen by the Investment Advisory Committee, who report to the Board of Trustees.

The Financial Plan uses the average investment growth above inflation on the Trust's reserves to support annual expenditure. This enables the reserves preserved against inflation to be passed to future generations, aligned to the purpose of the Trust.

Annual expenditure is dependent on the assumed rate of return of the Trust's investments for the Strategy period, whilst also ensuring that the Trust fund is also protected against poor investment returns over the period and any major decline or crash in world stock markets.

For the Strategy period 2020-2025 a rate of return on the Trust investments above inflation of 3.5% per annum is assumed. It will also take into account suitable protection of the overall fund value given the continuing uncertainty in world markets.

This will allow indicative annual disbursement levels to be set with confidence for the period of the strategy against which all the funding applications will be assessed.

The core assumptions for the period are set out below:

- Future Investment Return – 6.5% per annum
- Future Rate of Inflation – 3.0% per annum
- Fund Buffer – 15% of externally managed investments.

Based on the agreed core assumptions and the fund value of £442m as at 31 March 2021, the maximum budgeted expenditure for the period 2020-25 is as follows:

Maximum Budgets				
Financial Year 2020-21	Financial Year 2021-22	Financial Year 2022-23	Financial Year 2023-24	Financial Year 2024-25
£10,000,000	£12,000,000*	£15,000,000	£15,350,000	£15,700,000

* Additional disbursement expenditure of up to £1.3m was approved for 2021/22 only, as contingency for any potential reduction in turnover for those organisations most heavily dependent on earned income.

REPORT

To: Shetland Charitable Trust

Date 16 September 2021

From: Chief Executive

Report: CT2109017

Disbursement Plan 2020 - 2025

1. Introduction

- 1.1 The purpose of this report is to seek Trustee approval of the revised Disbursement Plan 2020 - 2025 attached as Appendix A.

2. Background

- 2.1 The Trust approved its current Disbursement Plan in September 2019 (CT1909030) covering the period 2020 - 2025.
- 2.2 The Disbursement Plan states that the Trust will operate a Main Grant Scheme and Small Grant Scheme over the period 2020 – 2025.

3. Present Position

- 3.1 At the Trust meeting of 3 June 2021, Trustees approved a new Capital Grant Scheme (CT2106014).
- 3.2 The new Capital Grant Scheme will operate for the period 2022 – 2025, with a maximum budget over the three years of £12 million.
- 3.3 Under the Capital Grant Scheme, funding will only be considered for major capital projects that repairs existing buildings. As well as funding for renewal or upgrade of fixtures and fittings required for maintaining the safe operation of existing facilities.
- 3.4 The Capital Grant Scheme is open to the three large Trusts and Voluntary Action Shetland. These organisations receive annual planned maintenance funding through the Main Grant Scheme. This will give the Trust the opportunity to develop the scheme and gauge the potential funding commitment.
- 3.5 It is proposed that the Disbursement Plan 2020 - 25, is revised to include the new Capital Main Grant Scheme, as outlined in 3.2 to 3.4 above.

4. Financial Implications

- 4.1 The financial implications of the Disbursement Plan are subject to future decisions on grant funding awards.

5. Recommendations

- 5.1 The General Purposes Advisory Committee recommend that Trustees approve the revised Disbursement Plan 2020 - 2025 attached as Appendix A.

Reference: D32

Report Number CT2109017

Disbursement Plan 2020-2025

The Disbursement Plan for the Trust is overseen by the General Purposes Advisory Committee, who report to the Board of Trustees.

Disbursements are approved in November each year by the Trust Board to allow organisations to effectively plan their activity, service or project for the coming year.

Over the Trust's Strategy period 2020-2025, it is the intention of the Trustees that the funds are able to support applications, which align to the purpose and strategic objectives of the Trust.

We can fund projects, activities or services that:

- meet the strategic ambition and charitable objectives of the Trust,
- meets one or more of the Trust's funding strands
- will promote inclusion and reduce inequality issues in Shetland;
- demonstrate effective delivery across Shetland;
- demonstrate evidence of need and the gap in provision
- demonstrate the benefit and impact the Trust funding will make through the Specific, Measurable, Achievable, Relevant and Time based (SMART) objectives set out by the applicant.

Revenue Funding

The Trust will operate a Main Grant Scheme for larger organisations and a Small Grant Scheme for smaller organisations.

The Main Grant Scheme is for organisations with an annual turnover of over £50,000 per annum. The Small Grant Scheme will cover organisations with an annual turnover of under £50,000 per annum.

Capital Funding

The Trust will also operate a Capital Grant Scheme from 2022 to 2025 for organisations who already receive annual planned maintenance funding through the Main Grant Scheme. This scheme will support capital expenditure only.

REPORT

To: Shetland Charitable Trust

Date: 16 September 2021

From: Chief Executive

Report: CT2109018

Investment Performance Update – Three Months to 30 June 2021

1. Introduction

- 1.1 The Trust's external investments are managed on its behalf by fund managers. The purpose of this report is to review investment performance for the three months to 30 June 2021.

2. Market Performance

- 2.1 Equities markets have largely stabilised in 2021, following a turbulent period throughout 2020, when markets initially crashed and then recovered strongly. Although, volatility is still present in certain sectors and regions.
- 2.2 Returns were broadly flat during April and May, but June saw considerable growth in equity markets particularly in the US. The Trust's Property portfolio has seen a marked increase over the quarter, recovering from the relative downturn following Brexit and the Covid 19 crisis.

3. Overall External Fund Performance

- 3.1 This report concentrates on the three months from April 2021 to June 2021. However, as the Trust is a long term investor, the report also considers the performance over one and three years.
- 3.2 The Trust has four fund managers with total investments under management at the end of June 2021 of £495.5 million. The funds, type of mandate and market values at the end of June 2021 are as follows:

Manager	Mandate	Market Value June 2021 (£m)	% of Reserves
Baillie Gifford	Active Equities	305.6	61.7
BlackRock	Passive Equities	99.8	20.1
Schroders	UK Property	57.3	11.6
Insight	Diversified Growth	32.8	6.6
Total		495.5	100.0

- 3.3 The return on the Trust's external investments over the three-month period was 12.0%. This strong gain was driven by the returns on world equity markets over the period.
- 3.4 The Trust's Financial Plan 2020-25 assumes a medium term return of 6.5% per annum. This is the return the Trust seeks over the medium term to meet its planned expenditure and to preserve the value of reserves in real terms.
- 3.5 The Trust also agrees a benchmark return for each fund manager to assess their performance against. Detailed below is the overall returns achieved against the combined benchmark:

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
3 Months	12.0	5.5	6.5
1 Year	33.8	18.8	15.0
3 Years	20.6	8.1	12.5

- 3.6 Overall, the Trust's external investments have exceeded the benchmark return for each period and have met the Financial Plan assumed return.
- 3.7 The positive return over the last 12 months continues to be driven by the performance of Baillie Gifford.

4. Fund Manager Performance Baillie Gifford

- 4.1 Baillie Gifford has an active equity mandate which invests in around 30-50 shares throughout the world. The benchmark for Baillie Gifford is the MSCI All Country World Index.
- 4.2 Detailed below is Baillie Gifford's performance for the last three months, the last year and the last three years.

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
3 Months	16.9	7.3	9.6
1 Year	47.6	24.6	23.0
3 Years	34.6	12.8	21.8

- 4.3 Baillie Gifford returned 16.9% over the three months to 30 June 2021, compared to the broad market return of 7.3%, which was 9.6% above the benchmark return.
- 4.4 Baillie Gifford continue to deliver excellent returns for the Trust. Over the last three years, Baillie Gifford have returned 143.9%, equivalent to a return of 34.6% per annum.

5. Fund Manager Performance BlackRock

- 5.1 The fund with BlackRock is invested passively in equities, so the fund is aiming to equal the benchmark return. The benchmark for BlackRock is made up of the All Share Indices in each region the funds are invested in.
- 5.2 Detailed below is BlackRock's performance for the last three months, the last year and the last three years.

Annualised Performance over	Actual Return	Benchmark Return	Over/ (Under) Performance
	%	%	%
3 Months	6.4	5.6	0.8
1 Year	22.6	21.4	1.2
3 Years	8.5	6.3	2.2

- 5.3 The mandate with BlackRock over the three months to 30 June 2021 produced a return of 6.4%, matching the returns on the world equities markets over the period.
- 5.4 Over the last three years, BlackRock have returned 27.7%, equivalent to a return of 8.5% per annum.

6. Fund Manager Performance Schroders

- 6.1 Schroders invests in property via a fund of funds approach where they invest in various different property funds to spread investment risk. The Benchmark for Schroders is the IPD UK All Balanced Fund Index.
- 6.2 Detailed below is Schroders' performance for the last three months, the last year and the last three years.

Annualised Performance over	Actual Return	Benchmark Return	Over/ (Under) Performance
	%	%	%
3 Months	3.0	3.8	(0.8)
1 Year	6.9	8.5	(1.6)
3 Years	3.2	3.0	0.2

- 6.3 Over the three months to 30 June 2021 Schroders have returned 3.0%, which was below the property benchmark. The UK property market has recovered somewhat over the last three months following the stagnation experienced in 2020.
- 6.4 Over the last three years, Schroders have returned 9.9%, equivalent to a return of 3.2% per annum.

7. Fund Manager Performance Insight

- 7.1 Insight has a diversified growth fund mandate, which invests into various different asset classes to spread risk and smooth returns. The benchmark return for Insight is an annual return of cash plus 4.0% over rolling five year periods.
- 7.2 Detailed below is Insight's performance for the last three months, the last year and the last three years.

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
3 Months	3.9	1.0	2.9
1 Year	13.2	4.0	9.2
3 Years	4.6	4.5	0.1

- 7.3 Overall Insight produced a return of 3.9% over the period, which was 2.9% above the benchmark return. Insight's portfolio has recovered well over the last year and is now above the benchmark over three years.
- 7.4 Over the last three years, Insight have returned 14.4%, equivalent to a return of 4.6% per annum.

8. Financial Implications

- 8.1 The long term investments and their performance are important to the Trust and the achievements of its outcomes and objectives.
- 8.2 Trustees approved the Investment Plan 2020–25 at their meeting held on 12 September 2019. The Plan sets out the overarching investment approach of the Trust to ensure the long-term strategic and financial objective of achieving a self-sustaining Trust.
- 8.3 The Investment Plan for the Trust is overseen by the Investment Advisory Committee (IAC), who report to the Board of Trustees. It is recognised that the actual investment performance each year will be different to what is expected. The IAC monitor the medium to long term performance against the Trust's objectives.

9. Recommendations

- 9.1 Trustees are asked to note this report.

REPORT

To: Shetland Charitable Trust

Date: 16 September 2021

From: Chief Executive

Report: CT2109019

Management Accounts – Three Months to 30 June 2021

1 Introduction

1.1 The purpose of this report is to present Shetland Charitable Trust's (the Trust) Management Accounts for the three months ended 30 June 2021, for noting. These Management Accounts deal with all income and expenditure of the Trust.

2 Management Accounts

2.1 Table 1 below shows the Summary Budget for the Trust for 2021/22 and the results in the three months to 30 June 2021.

Table 1: Summary Management Accounts 2021/22

Item	Current Budget £m	Actual to June 2021 £m
Income	1.8	0.8
Disbursements	(9.7)	(4.2)
Management and Administration	(0.7)	(0.1)
Fund Managers Fees	(1.6)	(0.5)
Gain on Investments	27.7	52.8
Total	17.5	48.8

2.2 A more detailed analysis of the figures above is set out in Appendix A.

2.3 In the three months ended 30 June 2021 the Trust made a gain on its investments of £52.8 million.

3 Financial Implications

3.1 No direct financial implications flow from this information report.

4 Recommendations

4.1 Trustees are asked to note the Trust's satisfactory financial performance in the three months ended 30 June 2021 as shown in the Management Accounts in Appendix A.

Reference: DA5/1

Report No: CT2109019



Shetland Charitable Trust

Management Accounts

3 Months Ended 30 June 2021

Shetland Charitable Trust
Income and Expenditure
Period to 30 June 2021

	3 Month Actual £	Annual Budget £	Variance £
<u>Income</u>			
Managed fund dividends	249,476	1,000,000	(750,524)
Managed fund interest	463,142	-	463,142
Agricultural loan interest	80	-	80
Local equity gift aid	-	-	-
Rental income	135,842	750,500	(614,658)
Bank interest	-	-	-
Miscellaneous income	-	-	-
	<u>848,540</u>	<u>1,750,500</u>	<u>(901,960)</u>
<u>Expenditure</u>			
Disbursements	(4,207,420)	(9,720,300)	5,512,880
Management and administration	(118,092)	(650,000)	531,908
Fund managers	(456,447)	(1,630,400)	1,173,953
	<u>(4,781,959)</u>	<u>(12,000,700)</u>	<u>7,218,741</u>
Gain on investments	52,774,932	27,700,000	25,074,932
Surplus/(Deficit)	<u>48,841,513</u>	<u>17,449,800</u>	<u>31,391,713</u>

Shetland Charitable Trust
Balance Sheet
Period to 30 June 2021

	Jun-21	
	£	£
Tangible fixed assets		98,000
Investments		<u>507,371,398</u>
		507,469,398
Trade debtors	58	
Prepayments and Accrued income	135,842	
Other debtors	235,000	
Bank	<u>1,267,546</u>	
	1,638,446	
Trade creditors	25,895	
Accruals and deferred income	942,890	
Other creditors	<u>(609)</u>	
	968,176	
Net current assets		<u>670,270</u>
		508,139,668
Pension liability		(2,500,000)
		<u>505,639,668</u>
Opening reserves		456,798,155
Surplus for period		<u>48,841,513</u>
Closing reserves		<u>505,639,668</u>

-

Shetland Charitable Trust
Rental Income
Period to 30 June 2021

	<u>3 Month Actual £</u>	<u>Annual Budget £</u>	<u>Variance £</u>
Sullom Voe Site	135,842	750,000	(614,158)
Shetland Golf Course	-	500	(500)
	<u>135,842</u>	<u>750,500</u>	<u>(614,658)</u>

Shetland Charitable Trust
Disbursements
Period to 30 June 2021

	3 Month Actual £	Annual Budget £	Variance £
<u>Main Grant Scheme</u>			
Ability Shetland	20,000	40,000	(20,000)
Alzheimer Scotland	11,450	22,900	(11,450)
British Red Cross	12,400	24,800	(12,400)
COPE Limited	112,500	225,000	(112,500)
Dogs Against Drugs	20,000	20,000	-
Gaada	25,000	50,000	(25,000)
Mind Your Head	37,500	75,000	(37,500)
Moving On	-	35,000	(35,000)
NSPCC Scotland	4,000	4,000	-
OPEN Project	15,600	31,200	(15,600)
Relationships Scotland - Shetland	14,900	29,800	(14,900)
Royal Voluntary Service	31,300	62,600	(31,300)
Shetland Amenity Trust	585,800	1,171,600	(585,800)
Shetland Arts Development Agency	325,000	650,000	(325,000)
Shetland Befriending Scheme - 16+	12,700	12,700	-
Shetland Befriending Scheme - CYP	26,500	53,000	(26,500)
Shetland Care Attendants Schme	37,150	74,300	(37,150)
Shetland Islands Citizen Advice Bureau	104,700	209,400	(104,700)
Shetland Islands Council Rural Care Model	993,100	1,986,200	(993,100)
Shetland Link Up	27,850	55,700	(27,850)
Shetland Rape Crisis	16,100	32,200	(16,100)
Shetland Recreational Trust	1,573,600	3,147,200	(1,573,600)
Shetland Women's Aid	50,000	100,000	(50,000)
The Swan Trust	14,150	28,300	(14,150)
Voluntary Action Shetland - Core	43,200	86,400	(43,200)
Voluntary Action Shetland - Market House	46,500	93,000	(46,500)
Sub Total Main Grant Scheme	4,161,000	8,320,300	(4,159,300)
<u>Small Grant Scheme</u>	46,420	100,000	(53,580)
<u>Main Grant Scheme Contingency</u>			
COPE	-	100,000	(100,000)
Shetland Amenity Trust	-	300,000	(300,000)
Shetland Arts Development Agency	-	300,000	(300,000)
Shetland Recreational Trust	-	600,000	(600,000)
Sub Total Contingency	-	1,300,000	(1,300,000)
Surplus Grants Refunded	-	-	-
Total	4,207,420	9,720,300	(4,212,880)

Shetland Charitable Trust
Management and Administration Expenditure
Period to 30 June 2021

	3 Month Actual £	Annual Budget £	Variance £
Basic Pay and Allowances	71,488	320,000	(248,512)
Professional Membership Fees	183	500	(317)
Staff recruitment	-	1,000	(1,000)
Travel and Subsistence	699	7,500	(6,801)
Training and Staff Development	97	8,800	(8,703)
Sub Total Staffing Costs	72,466	337,800	(265,334)
Operating Costs			
Insurance	13,212	11,500	1,712
Administration	1,589	4,100	(2,511)
Supplies and Services	937	6,400	(5,463)
Bank Charges	64	400	(336)
Professional Fees	3,795	20,000	(16,205)
External Audit Fees	12,151	20,000	(7,849)
Financial advice	3,000	30,000	(27,000)
Trustees Expenses	-	3,000	(3,000)
Meeting expenses	174	2,000	(1,826)
Legal Fees	-	50,000	(50,000)
Trustee Recruitment Costs	-	2,500	(2,500)
Sub Total Operating Costs	34,921	149,900	(114,979)
Property Costs			
Energy Costs	(356)	9,000	(9,356)
Water Rates	48	1,500	(1,452)
Building Maintenance	9,860	51,000	(41,140)
Cleaning	195	2,000	(1,805)
Sub Total Property Costs	9,747	63,500	(53,753)
Bad debt write off	-	-	-
Reduction in Bad Debt Provision	-	-	-
Bought In Services			
Treasury	-	20,000	(20,000)
Payroll	-	650	(650)
Building Maintenance	-	47,000	(47,000)
Committee Services	-	7,200	(7,200)
Computer Services	-	6,000	(6,000)
Messenger Service	-	450	(450)
Peninsula	558	2,500	(1,942)
Public Relations	400	15,000	(14,600)
Sub Total Bought In Services	958	98,800	(97,842)
Total	118,092	650,000	(531,908)

Shetland Charitable Trust
Investment expenses
Period to 30 June 2021

	<u>3 Month</u> Actual £	<u>Annual</u> Budget £	<u>Variance</u> £
Management Expenses	48,150	-	48,150
Black Rock fees	27,008	95,000	(67,992)
Northern trust fees	12,244	46,400	(34,156)
Insight investment fees	36,196	142,000	(105,804)
Schroders fees	25,000	131,000	(106,000)
Baillie Gifford fees	307,849	1,216,000	(908,151)
	<u>456,447</u>	<u>1,630,400</u>	<u>(1,173,953)</u>

REPORT

To: Shetland Charitable Trust

Date: 16 September 2021

From: Chief Executive

Report: CT2109020

Capital Works Bridging Loan Scheme

1. Introduction

- 1.1 The purpose of this report is to provide Trustees with an update of the Capital Works Bridging Loan Scheme.

2. Background

- 2.1 On 18 March 2010, Trustees agreed to provide short term bridging finance to community organisations undertaking capital projects. The interest free loans are used to alleviate cash flow problems when waiting for funding from EU, Scottish Government, SRDP, LEADER, ERDF and/or lottery grants to be received. (Min. Ref. CT15/10)
- 2.2 Funding for capital projects is often only released once work has been completed and invoices paid. This can create insurmountable cash flow burdens for some organisations.
- 2.3 A total of £1 million was set as the maximum available at any one time.
- 2.4 At the Trust meeting on 27 February 2020 it was noted that in future, only the projects relating to the current financial year would be reported on rather than including all the historical information.

3. Present Position

- 3.1 As at 1 April 2021, there were four loans outstanding.
- 3.2 In the period 1 April 2021 to 31 August 2021, one organisation fully repaid their loan and two organisations made part repayments. A further two organisations have had applications approved and have drawn down their loans.
- 3.3 As at 31 August 2021, six loans remained active with £275,250 due to be repaid to the Trust.

3.4 Appendix A lists the outstanding loans as at 31 August 2021.

3.5 Covid-19 has had an impact on some of these projects and their timeline for repayment, due to work being put on hold during the pandemic. The Trust is in contact with all organisations to receive updates on repayments.

4. Financial Implications

4.1 There are no new financial implications arising from this report. However, it should be noted that the provision of interest free loans means that the capital involved is not generating investment returns.

5. Conclusion

5.1 Six loans remain active, with two new applications for bridging loans received and approved this financial year.

6. Recommendation

6.1 Trustees are asked to note this report.

Reference: D19

Report Number: CT2109020

Project	Project Costs £	Bridging Loan Approved £	Drawn Down to Date £	Repaid £ 2020/21	Due to SCT at 01/04/21 £	Repaid £ 2021/22	Due to SCT at 31/08/21 £	Notes
Loans approved 2019/20								
Sandwick Social & Economic Development	149,300	75,000	75,000	35,000	40,000	15,000	25,000	Extension requested
Hillswick Wildlife Sanctuary	428,100	366,000	366,000	-	366,000	279,210	86,790	Extension requested
Community Development Company of Nesting	211,377	175,985	175,985	125,985	50,000	-	50,000	Repayment expected September 2021
Fetlar Community Association	140,000	120,784	120,784	-	120,784	120,784.00	-	Repaid June 2021
Loans approved 2021/22								
South Nesting Boating Club (SCIO)	66,000	53,460	53,460	-	-	-	53,460	Repayment expected May 2022
Legion Scotland Lerwick Branch	110,082	60,000	60,000	-	-	-	60,000	Repayment expected April 2022
TOTAL	1,104,859	851,229	851,229	160,985	576,784	414,994	275,250	